

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its 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.

Information relating to the SLB (as defined in this Circular) has been included in this Circular for information purposes only and does not require your approval at our forthcoming Extraordinary General Meeting ("**EGM**"). Bursa Securities has not perused information relating to the SLB in this Circular before its issuance as it is prescribed as an Exempt Circular.



AIRASIA GROUP BERHAD

(Company No.: 1244493-V)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



RHB INVESTMENT BANK BERHAD

(Company No.: 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Financial Adviser



BNP PARIBAS

BNP PARIBAS
(Registration No.: S71FC2142G)

BNP PARIBAS Capital (Malaysia) Sdn Bhd
(Company No.: 247454-M)

The notice of EGM together with the Proxy Form is enclosed in this Circular. Our forthcoming EGM will be held as follows:

Date and time : Wednesday, 17 April 2019 at 10.00 a.m., or any adjournment thereof
Venue : CAE Kuala Lumpur Sdn Bhd, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia

Details of lodging the Proxy Form:

Last date and time for lodgment : Monday, 15 April 2019 at 10.00 a.m., or any adjournment thereof
To be deposited at our registered office : Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

The lodging of the Proxy Form will not preclude you from attending and voting in person at our forthcoming EGM should you subsequently wish to do so.

This Circular is dated 1 April 2019

DEFINITIONS

For the purpose of this Circular, except when the context otherwise requires, the following definitions shall apply:

AAB	:	AirAsia Berhad, a wholly-owned subsidiary of our Company
AAB Internal Reorganisation	:	The internal reorganisation by way of a scheme of arrangement amongst our Company, AAB and the shareholders of AAB at the time of the scheme under Section 366 of the Act comprising the following: <ul style="list-style-type: none">(i) the exchange of the entire issued share capital of AAB with AAGB Shares on the basis of one AAGB Share for every one AAB share held by AAB's then shareholders on 6 April 2018; and(ii) the assumption of the listing status of AAB by our Company and the admission of our Company to and withdrawal of AAB from the Official List of Bursa Securities, with the listing of and quotation for all the issued shares of our Company on the Main Market of Bursa Securities on 16 April 2018
AACL	:	Asia Aviation Capital Limited, an indirect wholly-owned subsidiary of our Company and incorporated in the Federal Territory of Labuan, Malaysia under the Labuan Companies Act, 1990
AAGB Group or Group	:	For the purpose of this Circular, collectively, our Company and our subsidiaries
AAGB or Company	:	AirAsia Group Berhad
AAGB Share or Share	:	Ordinary share of our Company
Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
Affiliate Airlines	:	AirAsia X Berhad, Thai AirAsia X Co., Ltd., Thai AirAsia Co., Ltd., PT. Indonesia AirAsia, PT Indonesia AirAsia Extra, AirAsia (India) Limited, AirAsia Japan Co., Ltd. and/or Philippines AirAsia Inc.
Airbus	:	Airbus S.A.S
Airbus Purchase Agreement	:	The purchase agreement dated 23 June 2011 entered into between AAB and Airbus in respect of the SLB Aircraft as amended, restated and supplemented from time to time
Aircraft Assets	:	25 aircraft to be transferred under the SPA and to be owned by the Entities
Base Purchase Price	:	The aggregate consideration payable by the Purchaser of USD768.0 million (approximately RM3,130.8 million) under the Proposed Disposal, subject to adjustments pursuant to the SPA as set out in Appendix I(A) of this Circular
BNP PARIBAS	:	BNP PARIBAS (acting through its Singapore Branch and BNP PARIBAS Capital (Malaysia) Sdn Bhd)
Board	:	Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad
Castlelake	:	Castlelake, L.P.

DEFINITIONS (CONT'D)

Castlelake Guarantees	:	The guarantees dated 8 March 2019 entered into between the Castlelake Guarantors and AACL in respect of the obligations of the Purchaser and the Purchaser Guarantor under the SPA and the SLB Agreement
Castlelake Guarantors	:	CLA III Investment Holding Company (Offshore) LP and CLA III USA Investment Holding Company LLC
Circular	:	This Circular in relation to the Proposed Transaction
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per AAGB Share
EV	:	Enterprise value
Financial Adviser	:	BNP PARIBAS
First SPA	:	The share purchase agreement dated 24 December 2018 entered into between AAGB, AACL, the Purchaser and the Purchaser Guarantor in relation to the proposed disposal of Merah Aviation
FYE	:	Financial year ending or ended, as the case may be
General Partner	:	An owner of a partnership who has unlimited liability and active in the day-to-day operations of the business
Limited Partner	:	A part-owner of a partnership whose liability for the firm's debts cannot exceed the amount that individual invested in the company, and has no day-to-day involvement in the business
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	4 March 2019, being the latest practicable date before the printing of this Circular
Merah Aviation	:	Merah Aviation Asset Holding Limited, a direct wholly-owned subsidiary of AACL
Merah Aviation 2	:	Merah Aviation Asset Holding Two Limited, a direct wholly-owned subsidiary of AACL
Merah Aviation 3	:	Merah Aviation Asset Holding Three Limited, a direct wholly-owned subsidiary of AACL
Merah Aviation 4	:	Merah Aviation Asset Holding Four Limited, a direct wholly-owned subsidiary of AACL
Merah Aviation 5	:	Merah Aviation Asset Holding Five Limited, a direct wholly-owned subsidiary of AACL
Merah Aviation Entities or Entities	:	Collectively, Merah Aviation, Merah Aviation 2, Merah Aviation 3, Merah Aviation 4 and Merah Aviation 5
NA	:	Net assets
NBV	:	Net book value
Proposed Disposal	:	Proposed disposal by AACL to the Purchaser of its entire equity interests in the Entities, which collectively will own the Aircraft Assets to be leased to AAB and/or the Affiliate Airlines, for the Base Purchase Price

DEFINITIONS (CONT'D)

Proposed Transaction	:	Collectively, the Proposed Disposal and the SLB
Purchaser	:	AS Air Lease Holdings 5T DAC, an entity indirectly controlled by Castlelake
Purchaser Guarantor	:	AS Air Lease 8 (Offshore) LP
Sale Share	:	One ordinary share of USD1.00 in each of the Entities
SLB	:	Sale by AACL to the Purchaser (or its nominee) and leaseback of the SLB Aircraft in 2019 for the SLB Sale Consideration
SLB Aircraft	:	Four aircraft to be delivered in 2019 to AACL pursuant to the SLB Agreement
SLB Agreement	:	The sale and leaseback agreement dated 24 December 2018 entered into among AACL and the Purchaser in relation to the SLB
SLB Sale Consideration	:	A purchase consideration to be determined, depending on the final date of delivery of each SLB Aircraft to the Purchaser and any purchase price escalation adjustments to be made based on the purchase price payable to Airbus in respect of each such SLB Aircraft
SPA	:	Share purchase agreement dated 8 March 2019 entered into between AAGB, AACL, the Purchaser and the Purchaser Guarantor in relation to the Proposed Disposal, which amended and restated the terms of the First SPA
RHB Investment Bank	:	RHB Investment Bank Berhad

CURRENCIES

RM	:	Ringgit Malaysia
USD	:	United States Dollar

EXCHANGE RATES

Unless otherwise stated, the following exchange rate has been used in this Circular:

USD1.00	:	RM4.0765, being the middle rate quoted by Bank Negara Malaysia as at 5.00 p.m. on 4 March 2019
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PRESENTATION OF INFORMATION

References to “**our Company**”, “**we**”, “**us**”, “**our**” and “**ourselves**” in this Circular are to our Company. References to “**our Group**” are to our Company and our subsidiaries. All references to “**you**” and “**your**” in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, if applicable, include the plural and vice versa and words denoting the masculine gender shall, if applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any references in this Circular to the provisions of any enactment, statute, rules, regulation, rules of stock exchange or guideline shall (when the context admits) be construed as a reference to the provisions of such enactment, statute, rules, regulation, rules of stock exchange or guideline (as the case may be) as modified by any written law or (if applicable) amendments to the enactment, statute, rules, regulation, rules of stock exchange or guideline for the time being in force.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof, are 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 inquiry, which are nevertheless subject to known or unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from anticipated results, performance or achievements expressed or implied in such forward-looking statements. Hence, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company’s plans and objectives will be achieved.

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AIRASIA GROUP BERHAD

(Company No. 1244493-V)

(Incorporated in Malaysia)

Registered office:

Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

1 April 2019

Board of Directors:

Datuk Kamarudin bin Meranun

Tan Sri Anthony Francis Fernandes

(Non-Independent Executive Chairman)

*(Non-Independent Executive Director and Group
Chief Executive Officer)*

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar

Dato' Fam Lee Ee

Dato' Mohamed Khadar bin Merican

Stuart L Dean

Noor Neelofa binti Mohd Noor

(Non-Independent Non-Executive Director)

(Senior Independent Non-Executive Director)

(Independent Non-Executive Director)

(Independent Non-Executive Director)

(Independent Non-Executive Director)

To: Our shareholders

Dear Sir/Madam,

PROPOSED TRANSACTION

1. INTRODUCTION

On 24 December 2018, RHB Investment Bank, on behalf of AAGB's Board, announced that the Company and AACL had entered into the First SPA with the Purchaser and the Purchaser Guarantor, both entities indirectly controlled by Castlake, for the proposed disposal by AACL to the Purchaser of its entire equity interest in Merah Aviation, which will own Aircraft Assets to be leased to AAB and/or the Affiliate Airlines for the Base Purchase Price of USD768.0 million (approximately RM3,130.8 million), subject to terms and conditions as stipulated in the First SPA. The Castlake Guarantors had also on even date entered into the guarantees with AACL in respect of the obligations of the Purchaser and the Purchaser Guarantor under, amongst others, the First SPA.

AACL had also on even date entered into the SLB Agreement with the Purchaser for the sale by AACL to the Purchaser and leaseback of the SLB Aircraft for the SLB Sale Consideration.

On 11 March 2019, RHB Investment Bank, on behalf of AAGB's Board, announced that AACL had entered into the SPA, for the proposed disposal by AACL to the Purchaser of its entire equity interests in the Merah Aviation Entities, which collectively will own the Aircraft Assets, for the Base Purchase Price of USD768.0 million (approximately RM3,130.8 million), subject to terms and conditions as stipulated in the SPA. The abovementioned Aircraft Assets are to be leased to AAB, a direct wholly-owned subsidiary of AAGB, and/or the Affiliate Airlines. Following that, the Castlake Guarantors had also on even date entered into the Castlake Guarantees with AACL, to amend and restate the previous guarantees that had been entered into on 24 December 2018.

For the avoidance of doubt, the mainstay of the Proposed Disposal, amongst others, the objective of the Proposed Disposal, the Base Purchase Price and other key terms, remains unchanged under the SPA as compared to the First SPA. The First SPA was amended and restated by the SPA to amend the mechanics of the sale and transfer to provide for an effective prepayment of the existing financing of the Aircraft Assets, with a view to reduce transaction risk and attaining a more efficient implementation of the Proposed Disposal.

Please refer to Appendix II of this Circular for further information on the Aircraft Assets and the SLB Aircraft. Details of the lease arrangements pursuant to the Proposed Disposal and the SLB are set out in Section 2.6 and Section 2.11, respectively.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED TRANSACTION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION AS SET OUT IN THE NOTICE OF EGM TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION AS SET OUT IN THE NOTICE OF EGM TO BE TABLED AT OUR FORTHCOMING EGM.

THE INFORMATION RELATING TO THE SLB HAS BEEN INCLUDED IN THIS CIRCULAR FOR INFORMATION PURPOSES ONLY AND THE SLB DOES NOT REQUIRE YOUR APPROVAL AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED TRANSACTION

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

2.1 Proposed Disposal

The Proposed Disposal to the Purchaser involves the disposal by AACL of one Sale Share, representing 100.0% of the issued share capital of each of the Entities. The Entities will own Aircraft Assets before the completion of the SPA, which are to be leased to AAB and/or the Affiliate Airlines on indicative terms as set out in Section 2.6. The Base Purchase Price shall be USD768.0 million (approximately RM3,130.8 million) (subject to adjustments under the SPA as set out in Appendix I(A) of this Circular) to be satisfied wholly in cash.

2.2 Information on the Merah Aviation Entities

Please refer to Appendix III of this Circular for further information.

2.3 Information on the Purchaser, the Purchaser Guarantor and the Castlelake Guarantors

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

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

As at the LPD:

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

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

The Purchaser Guarantor is a limited partnership formed on 16 December 2018 existing under the laws of Anguilla. The Purchaser Guarantor is principally engaged in the provision of aircraft sales and leasing activities. The ultimate shareholders of the Purchaser Guarantor are investors who are qualified institutional buyers and high net worth individuals. The guarantee from the Purchaser Guarantor in favour of AACL (contained in the SPA), guarantees the payment of all amounts owed by, and the observance, compliance and performance of all obligations of the Purchaser under the SPA and all other transaction documents. The guarantee will continue in full force and effect until the obligations of the Purchaser have been satisfied in full.

As at the LPD:

- (a) The Purchaser Guarantor is a limited partnership in Anguilla, and has no issued share capital.
- (b) The General Partner of the Purchaser Guarantor is Castlelake Aviation III Stable Yield GP, L.P., whilst the Limited Partner is CLA III Investment Holding Company (Offshore) LP. Castlelake is the registered investment advisor for Castlelake Aviation III Stable Yield GP, L.P.
- (c) The principal officers of the Purchaser Guarantor are as follows:
 - 1. Rory O'Neill (Chief Executive Officer);
 - 2. Peter Glerum (President);
 - 3. Kevin Hiniker (Vice President);
 - 4. David J. Parrin (Vice President);
 - 5. Rudy Newell (Vice President);
 - 6. Karlien De Clerq (Vice President);
 - 7. William Stephen Venable Jr. (Vice President); and
 - 8. Erin Rose Neale (Vice President).

(iii) CLA III Investment Holding Company (Offshore) LP (as one of the Castllake Guarantors)

CLA III Investment Holding Company (Offshore) LP is a limited partnership formed on 7 October 2016 existing under the laws of Anguilla. CLA III Investment Holding Company (Offshore) LP is principally engaged in the provision of aircraft investments and leasing activities. The ultimate shareholders of the Castllake Guarantors are investors who are qualified institutional buyers and high net worth individuals.

The guarantees from the Castllake Guarantors in favour of AACL (contained in the Castllake Guarantees), guarantee the payment of all amounts owed by, and the observance, compliance and performance of all obligations of the Purchaser and the Purchaser Guarantor under the SPA (and all other transaction documents) or the SLB Agreement. The guarantees will continue in full force and effect until the obligations of the Purchaser and the Purchaser Guarantor have been satisfied in full.

As at the LPD:

- (a) CLA III Investment Holding Company (Offshore) LP is a limited partnership in Anguilla, and has no issued share capital.
- (b) The General Partner of CLA III Investment Holding Company (Offshore) LP is Castllake Aviation III Stable Yield GP, L.P., whilst the Limited Partners are CLA III TE (Offshore) LLC and CLA III IHC LLC. Castllake is the registered investment advisor for Castllake Aviation III Stable Yield GP, L.P.
- (c) The principal officers of CLA III Investment Holding Company (Offshore) LP are as follows:
 - 1. Rory O'Neill (President);
 - 2. Kevin Hiniker (Vice President);
 - 3. David J. Parrin (Vice President);
 - 4. Ardalan Ghanbar (Vice President);
 - 5. Rudy Newell (Vice President);
 - 6. Karlien De Clerq (Vice President).

(iv) CLA III USA Investment Holding Company LLC (as one of the Castllake Guarantors)

CLA III USA Investment Holding Company LLC is a limited liability company formed on 10 October 2016 existing under the laws of Delaware. CLA III USA Investment Holding Company LLC is principally engaged in the acquisition of investments and assets. The ultimate shareholders of the Castllake Guarantors are investors who are qualified institutional buyers and high net worth individuals.

As at the LPD:

- (a) CLA III USA Investment Holding Company LLC is a limited liability company in Delaware, and has no issued share capital.
- (b) The initial members of CLA III USA Investment Holding Company LLC are CLA III USA IHC LLC and CLA III TE USA LLC, whilst Castllake Aviation III Stable Yield GP, L.P. is the managing member.

(c) The principal officers of CLA III USA Investment Holding Company LLC are as follows:

1. Rory O'Neill (Chief Executive Officer);
2. Peter Glerum (President);
3. Kevin Hiniker (Vice President);
4. David J. Parrin (Vice President);
5. Ardalan Ghanbar (Vice President);
6. Rudy Newell (Vice President);
7. Karlien De Clerq (Vice President);
8. William Stephen Venable Jr. (Vice President);
9. Erin Rose Neale (Vice President).

(v) Combined NA of the Castlelake Guarantors

The combined NA of CLA III Investment Holding Company (Offshore) LP and CLA III USA Investment Holding Company LLC is approximately USD1,286.0 million (approximately RM5,242.4 million).

2.4 Information on Castlelake

Castlelake is a global private investment firm focused on investments in alternative assets, sub-performing notes and special situations, and is experienced in aircraft ownership and servicing. With offices in Minneapolis, London, Dublin and Singapore, the Castlelake team comprises more than 150 professionals. As of 31 December 2018, Castlelake manages private funds and debt vehicles with approximately USD13.0 billion in assets, on behalf of its investors, including endowments, foundations, public and private pension plans, private funds, family offices, insurance companies and sovereign wealth funds. The Purchaser and the Purchaser Guarantor are part of the private funds that Castlelake manages. The ultimate shareholders of Castlelake are investors who are qualified institutional buyers and high net worth individuals.

As at the LPD,

(a) Castlelake is a limited partnership organised in the State of Delaware, and has no issued share capital.

(b) The principal officers of Castlelake are as follows:

1. Rory O'Neill (Chief Executive Officer);
2. Peter Glerum (President);
3. Kevin Hiniker (Vice President);
4. David J. Parrin (Vice President);
5. Rudy Newell (Vice President);
6. William Stephen Venable Jr. (Vice President); and
7. Erin Rose Neale (Vice President).

2.5 Salient terms of the SPA

Please refer to Appendix I(A) of this Circular.

2.6 Information on lease arrangements for the Aircraft Assets

The key terms and obligations of the lease arrangements for the Aircraft Assets are as follows:

No.	Terms	Details
1.	Head lessor	: Relevant Merah Aviation Entity or trust created for the benefit of the relevant Merah Aviation Entity
2.	Sub lessor	: AACL and/or intermediate sub lessor to be nominated by AACL
3.	Lessee	: AAB and/or the Affiliate Airlines
4.	Total aircraft to be leased	: 25 Aircraft Assets
5.	12-month period lease rental	: USD83.1 million (approximately RM338.8 million). Lease rental will be paid on a fixed monthly basis under each lease arrangement
6.	Commencement date of lease	: Commencement date of the lease of each relevant Aircraft Asset is the date of the transfer of such Aircraft Asset under the SPA
7.	Duration of lease	: Up to 15 years anniversary from the date of delivery from Airbus
8.	Security deposits	: USD6.9 million (approximately RM28.1 million), for all 25 Aircraft Assets
9.	Renewal terms	: There is no renewal term under the lease arrangements
10.	Review/adjustment to lease rental	: There is no review/adjustment to lease rental throughout the duration of the leases
11.	Termination events	: The lease arrangements may be terminated upon illegality, total loss and event of default (which includes non-payment, breach of insurance requirements, misrepresentation, insolvency, creditor's process, failure to obtain or maintain approvals, aircraft becoming subject to and encumbrances that are not permitted)

2.7 Basis and justification of the Base Purchase Price

Following the appointment of the Financial Adviser for the Proposed Disposal, AAGB and the Financial Adviser had conducted a sale process for the disposal of our remaining Group's aircraft leasing operations. The sale process included discussions on the following key terms and conditions with prospective purchasers:

- (i) the price offered by prospective purchasers for the aircraft leasing business ranges between USD706.0 million (approximately RM2,878.0 million) and USD768.0 million (approximately RM3,130.8 million). We had invited 19 parties to submit their offers, out of which nine parties including Castlake submitted their best and final offers;

- (ii) the number of aircraft to be acquired by the prospective purchasers;
- (iii) the potential partnership with prospective purchasers to grow our business and as future lessors;
- (iv) degree of certainty of completion of the potential divestment, including the financial strength and credit standing of each of the prospective purchasers and approvals required for signing and duration of due diligence required from the prospective purchasers;
- (v) timing of the execution of agreements and expected cash flows to be received from the potential divestment; and
- (vi) other key commercial terms negotiated with each of the prospective purchasers, largely related to legal and structuring considerations which are customary to a transaction.

As part of the sale process, AAGB and the Financial Adviser, conducted discussions and negotiations with Castlelake, being one of the prospective purchasers in respect of the relevant definitive agreements for the Proposed Disposal. After due deliberation, the Board of AAGB was and still is of the opinion that the offer by Castlelake is the most attractive option and is in the best interest of AAGB, based on the following factors/basis:

- (i) the offer price of USD768.0 (approximately RM3,130.8 million) million is the highest amongst the offers received;
- (ii) Castlelake has a relatively straightforward internal approval process, is reputable in the aircraft leasing space and has a past track record of obtaining funding in the capital markets, which lowers execution risk considerably; and
- (iii) we were able to arrive at the least onerous adjustments on the Base Purchase Price with Castlelake, as compared to other offerors.

The Base Purchase Price for the Proposed Disposal was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (i) the implied EV of the Aircraft Assets of USD768.0 million (approximately RM3,130.8 million), which was mainly arrived at using the following:
 - (a) the expected cash flow generated from leasing the Aircraft Assets during the respective lease period, which depends on the respective age of the Aircraft Assets that ranges between two years and 11 years; and
 - (b) the residual values of the Aircraft Assets at the expiry of the respective lease period, which are based on generic aircraft values provided by aircraft valuer with relevant adjustments made to reflect the contractual return conditions of the Aircraft Assets upon lease expiry,

and the above items were discounted at unlevered return rate range of 7.0% to 8.0% which was based on the return in the aircraft leasing market for a large, mono type and credit concentrated portfolio. The range of the implied EV for the Aircraft Assets based on the unlevered return rate range of 7.0% to 8.0% is between USD750.0 million (approximately RM3,057.4 million) to USD780.0 million (approximately RM3,179.7 million);

- (c) the audited NBV as at 31 December 2017 of the Aircraft Assets to be disposed of RM2,888.2 million based on the audited consolidated financial statements of AAB for FYE 31 December 2017;
- (d) the ability for our Group to leverage on Castlake's aircraft leasing and management expertise to better manage our Group's aircraft fleet in the future; and
- (e) the rationale and benefits as set out in section 3 of this Circular.

2.8 Utilisation of Proceeds

The gross cash proceeds expected to be raised from the Proposed Disposal amounting to USD768.0 million (approximately RM3,130.8 million) are expected to be utilised in the following manner:

Utilisation	Timeframe for utilisation	Amount	
		RM'million	%
Repayment of existing debt ⁽¹⁾	Six months	1,819.4	58.1
Defray estimated expenses for the Proposed Transaction ⁽²⁾	12 months	15.7	0.5
Remaining proceeds ⁽³⁾	12 months	1,295.7	41.4
Total		3,130.8	100.0

Notes:

- (1) Existing debt pertaining to the Aircraft Assets as at the LPD. The full repayment of the existing debt for the Aircraft Assets is expected to result in interest savings of RM87.7 million per annum.
- (2) The estimated expenses relating to the Proposed Transaction comprise of, amongst others, the following:
 - (i) professional fees of approximately RM14.9 million for the Financial Adviser, Principal Adviser, local and foreign legal advisers, Reporting Accountants, tax advisers and other technical and experts; and
 - (ii) fees payable to the relevant regulatory authorities and other miscellaneous costs of approximately RM0.8 million, which includes printing and advertising costs, costs to convene the forthcoming EGM and other incidental expenses related to the Proposed Transaction.

Any variation between the amount stated herein and the eventual amount of expenses will be adjusted to/from the remaining proceeds, the utilisation of which is yet to be determined.

- (3) Our management is currently evaluating the options for the optimal utilisation of the remaining proceeds to strengthen our Group's financial performance as well as maximising our shareholders' return. Until such time that our Group has finalised the optimal use of the remaining proceeds (which may include consideration to utilise part of the proceeds to meet general working capital requirements, for any potential investment opportunities and/or new business) or return/distribution to shareholders, the remaining proceeds shall be kept in short term interest bearing instruments such as bank deposits. Further, we will make the appropriate announcement(s) on the intended usage of the remaining proceeds as and when it has been approved by our Board. If the nature of the transaction requires our shareholders' approval(s) under the Listing Requirements, we will seek the necessary approval(s) from them at a general meeting to be convened later.

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

If the actual amount allocated for the repayment of existing debt and defray estimated expenses for the Proposed Transaction are higher than the proceeds allocated, the deficit will be funded from the remaining proceeds not allocated. However, if the actual amount utilised for the repayment of existing debt and related expenses for the Proposed Transaction are lower than estimated, the excess shall be applied in the same manner as indicated in note (3) above.

Further details of the SLB are set out in Section 2.11 of this Circular. Subject to the final date of delivery of each SLB Aircraft to the Purchaser and any price escalation adjustments to be made based on the purchase price payable to Airbus in respect of each such SLB Aircraft, the SLB Sale Consideration payable by the Purchaser for the purchase of each such SLB Aircraft shall be determined closer to the delivery date of each such SLB Aircraft. Any cash proceeds from the SLB Sale Consideration shall be applied in the same manner as indicated in note (3) above.

2.9 Original Cost, Date of Investment and NBV

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

		Range of the date of investment	Original cost of investment	Audited NBV
(i)	Merah Aviation	December 2018	USD1.00	Not applicable ⁽¹⁾
(ii)	Merah Aviation 2	March 2019	USD1.00	Not applicable ⁽¹⁾
(iii)	Merah Aviation 3	March 2019	USD1.00	Not applicable ⁽¹⁾
(iv)	Merah Aviation 4	March 2019	USD1.00	Not applicable ⁽¹⁾
(v)	Merah Aviation 5	March 2019	USD1.00	Not applicable ⁽¹⁾
(vi)	Aircraft Assets	December 2005 – August 2017	RM3,965.2 million ⁽²⁾	RM2,888.2 million ⁽³⁾

Notes:

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

2.10 Liabilities to be assumed by the Purchaser

Save for the obligation to purchase the Merah Aviation Entities (as set out in the SPA) and the obligation to purchase the SLB Aircraft (as set out in the SLB Agreement), there are no contingent liabilities and/or guarantees to be assumed by the Purchaser under the respective agreements.

2.11 SLB

Under the terms of the SLB Agreement, AACL will sell the four SLB Aircraft to the Purchaser (or its affiliate or nominee) (the "Purchasing Entity"). The sale and purchase of the SLB Aircraft listed in the SLB Agreement will be effected through a transfer of AAB's rights to purchase each SLB Aircraft under the Airbus Purchase Agreement (i) from AAB to AACL; and (ii) from AACL to the Purchasing Entity. Delivery of the SLB Aircraft are expected to be completed in 2019.

Subject to the final date of delivery of each SLB Aircraft to the Purchaser and any price escalation adjustments to be made based on the purchase price payable to Airbus in respect of each such SLB Aircraft, the SLB Sale Consideration payable by the Purchaser for the purchase of each such SLB Aircraft shall be determined closer to the delivery date of each such SLB Aircraft.

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

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

Please refer to Appendix I(B) of this Circular for salient terms of the SLB Agreement.

The key terms and obligations of the lease arrangements for the SLB Aircraft are as follows:

No.	Terms	Details
1.	Head lessor	: The Purchaser or its affiliate or nominee
2.	Sub lessor	: AACL and/or its intermediate sub lessor to be nominated by AACL
3.	Lessee	: AAB (in respect of two SLB Aircraft) or AirAsia Japan Co., Ltd. (in respect of two SLB Aircraft)
4.	Total aircraft to be leased	: Four SLB Aircraft
5.	12-month period lease rental	: USD13.9 million (approximately RM56.7 million). Lease rental will be paid on a fixed monthly basis under each lease arrangement
6.	Commencement date of lease	: Commencement date of the lease of each relevant SLB Aircraft is on delivery of such SLB Aircraft from Airbus
7.	Duration of lease	: 12 years from the date of delivery
8.	Security deposits	: USD1.7 million (approximately RM6.9 million), for all four SLB Aircraft
9.	Renewal terms	: There is no renewal term under the lease arrangements
10.	Review/adjustment to lease rental	: There is no review/adjustment to lease rental throughout the duration of the leases
11.	Termination events	: The lease arrangements may be terminated upon illegality, total loss and event of default (which includes non-payment, breach of insurance requirements, misrepresentation, insolvency, creditor's process, failure to obtain or maintain approvals, aircraft becoming subject to and encumbrances that are not permitted)

3. RATIONALE AND BENEFITS OF THE PROPOSED TRANSACTION

Our Board believes that the Proposed Transaction (including the leasing arrangements entered or to be entered into by the relevant parties) is in line with our Group's strategy to focus on our core airline operations, while allocating resources within our Group in a more efficient manner. Further, our Group is able to enjoy the following benefits from the Proposed Transaction:

- (i) the estimated net gain on disposals to our Group arising from the Proposed Transaction is approximately RM174.9 million as set out in Section 5.3 of this Circular. With the Proposed Transaction, our Group will be able to preserve our existing funds for our future business and expansion;
- (ii) our Group will raise gross proceeds of RM3,130.8 million pursuant to the Proposed Disposal. Following the use of the proceeds as set out in Section 2.8 of this Circular, we will have remaining proceeds of RM1,295.7 million to strengthen our Group's financial performance as well as maximising our shareholders' return;
- (iii) allow our Group to further reduce our financial leverage as part of the proceeds from the Proposed Disposal will be utilised to prepay some bank borrowings as set out in Section 2.8 of this Circular. For illustrative purposes, our Group's gross gearing ratio is expected to fall from 0.54 times to 0.24 times, arising from the repayment of those bank borrowings, following the Proposed Disposal. Please refer to Section 5.2 of this Circular for further information pertaining to the pro forma effects, which also illustrates the pro forma gross gearing position arising from the Proposed Transaction, The Proposed Disposal will also improve our Group's position by strengthening our shareholders' funds. This provides our Group with the opportunity for more tailored capital management initiatives;
- (iv) allow our Group to establish a long term partnership with Castlake, a global alternative investment firm which has strong experience in the aircraft leasing industry. The establishment of this partnership will pave the way to further future potential opportunities for aircraft leasing transactions; and
- (v) provide a stable platform for our Group to expand its route network, without the financial burden of owning aircraft which is capital intensive in nature and/or undertake new and appropriate investment opportunities to maximise shareholders' returns.

The disadvantages of the Proposed Transaction (including the leasing arrangements entered or to be entered into by the relevant parties) include the following:

- (i) the lease rental rates under the lease arrangements may not be more favourable than the rates offered by other aircraft leasing companies at any given point in time; and
- (ii) upon expiry of the term of the lease arrangements, our Group may not be able to conclude new lease arrangements with the same lessors on mutually agreed terms and conditions.

Please refer to Section 4 of this Circular for further details on the risk associated with the Proposed Transaction.

4. RISK FACTORS

The Proposed Transaction will not materially change the risk profile of our Group as it will still be able to continue its air transportation services due to the lease arrangements for the 29 aircraft that are to be entered by AAB (and/or the Affiliate Airlines) under the SPA and the SLB Agreement.

Our Group's airline operations will still be exposed to similar business, operational and financial risks inherent in the aviation industry which include, but are not limited to, competition, political and economic conditions, volatility in the supply and price of oil, operational risks, fluctuations in interest rates and collections from customers.

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

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

The SPA and the SLB Agreement are conditional upon the various conditions precedent as set out in Appendices I(A) and I(B) of this Circular and there can be no assurance that all such conditions precedent will be fulfilled or obtained in a timely manner or at all. Should there be a delay in fulfilling or obtaining such conditions precedent or if completion of the SPA does not occur, we will not be able to utilise the proceeds from the Proposed Disposal in the manner set out in Section 2.8 of this Circular.

Notwithstanding this, our Group will use our best endeavour to fulfil those conditions in a timely manner and mitigate the occurrence of any of the termination events as stipulated in the SPA and the SLB Agreement, insofar as the circumstances are within our control.

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

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

Nonetheless, the Proposed Disposal will accord our Group with a reduction in depreciation expense for owned aircraft ¹, and interest payments on the debt for the Aircraft Assets and debt service requirements following the repayment of existing debt from proceeds received from the Proposed Disposal as mentioned in Section 2.8 of this Circular. Also, as highlighted in Section 2.8 of this Circular, our Group may utilise the proceeds received from the Proposed Disposal for potential investment opportunities and new business purposes in the future which may enhance our Group's future income contribution.

4.3 Unfavourable rental rates

There can be no assurance that the rental rates under the lease arrangements are more favourable than those offered by other aircraft leasing companies at any given point in time, and AAB (and/or the Affiliate Airlines) will be able to meet its rental obligations in the future without incurring a loss.

We believe the negotiated rental rates under the lease arrangements pursuant to the Proposed Transaction will allow AAB (and/or the Affiliate Airlines) to secure lease certainty at reasonable rates for the Aircraft Assets and the SLB Aircraft. This allows our Group to operate effectively during the term of the respective lease arrangements and/or the subsequent extension of those lease arrangements upon expiry.

4.4 Renewal of lease arrangements

Under the SPA and the SLB Agreement, AAB (and/or the Affiliate Airlines) will lease the relevant Aircraft Assets and the SLB Aircraft from the date of transfer or delivery of such aircraft respectively. However, upon expiry of the term of the lease arrangements, AAB (and/or the Affiliate Airlines) may not be able to conclude new lease arrangements with the same lessors on mutually agreed terms and conditions. In that event, our Group may seek out a suitable alternative source for aircraft from other aircraft leasing companies.

¹ Does not account for the amortisation for right-of-use asset to be adopted pursuant to MFRS 16 for the FYE 31 December 2019.

4.5 Adjustments to the Base Purchase Price

The Base Purchase Price is subject to change due to the relevant adjustments as set out in Section 1 of the Appendix I(A) of this Circular. The quantum of such adjustments will only be determined upon transfer of the relevant Aircraft Asset under the SPA, which may result in a downward adjustment. As such, the final amount of adjustments and in turn the final Base Purchase Price cannot be determined at this juncture.

One of the adjustments to the Base Purchase Price is the subtraction of the aggregate of the daily lease rental amount for such Aircraft Asset for the period from (but excluding) 1 January 2019 and up to the relevant date of completion of the transfer to the Purchaser. Notwithstanding that, the said downward adjustment will be partially offset by the lease rental expenses that would have been incurred had our Group entered into the lease arrangements from 1 January 2019.

4.6 Foreign currency risk

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

With regard to the above, in order to manage our Group's exposure against foreign currency fluctuations, our Group may adopt hedging policies via utilisation of hedging instruments to minimise the effects of foreign currency fluctuations.

4.7 Regulatory risk

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

Nevertheless, our Group endeavours to ensure compliance with the various changes in the regulatory environment in the relevant jurisdictions.

5. EFFECTS OF THE PROPOSED TRANSACTION

5.1 Share capital and substantial shareholders' shareholding

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

5.2 NA per share and gearing

You should read this section in conjunction with the Reporting Accountants' letter on our pro forma consolidated statement of financial position as at 31 December 2017 ("Reporting Accountants' Letter") as set out in Appendix IV of this Circular. Further, in this section, we have used the foreign exchange rate of USD1.00: RM4.0605, which is consistent with the rate used in preparing the financial statements of our Company and AAB as at 31 December 2017.

For illustrative purposes only, the pro forma effects of the Proposed Transaction on our consolidated NA and gearing, and NA per AAGB Share as at 31 December 2017 are set out below:

	AAGB			
	Audited as at 31 December 2017		Pro forma II	
	AAGB RM'000	AAB RM'000	After completion of the AAB Internal Reorganisation ⁽¹⁾	After Pro forma I and subsequent material events ⁽²⁾
		RM'000	RM'000	Pro forma III After Pro forma II and the Proposed Transaction RM'000
Capital and reserves				
Share capital	-	2,515,438	8,023,267	8,023,267
Merger deficit	-	-	(5,507,594)	(5,507,594)
Treasury shares	-	(160)	-	-
Foreign exchange reserve	-	196,050	196,050	196,050
Retained earnings	(6)	5,404,393	5,404,387	6,109,844 ⁽⁵⁾⁽⁶⁾
Other reserves	-	(67,608)	(67,608)	42,687
Shareholders' fund	(6)	8,048,113	8,048,502	8,864,254
Non-controlling interests	-	(1,338,033)	(1,338,033)	(1,338,033)
Total equity	(6)	6,710,080	6,710,469	7,526,221
No. of ordinary shares ('000)	-	3,341,974	3,341,974	3,341,974
NA per share (RM) ⁽⁸⁾	(3,000)	2.41	2.41	2.65
Total borrowings (RM'000)	-	9,308,634	9,308,634	1,838,164 ⁽¹⁰⁾
Gross gearing (times) ⁽¹¹⁾	-	1.39	1.39	0.54

Notes:

- (1) AAB Internal Reorganisation which was completed on 16 April 2018.
- (2) Subsequent events completed between 1 January 2018 and 31 December 2018, representing the disposal of AAB's aircraft leasing operations via AACL to entities managed by BBAM Limited Partnership comprising 82 aircraft and 14 aircraft engines.
- (3) The issued share capital of AAGB was RM2 as at 31 December 2017.
- (4) Incorporate the effects of the subsequent events completed between 1 January 2018 and 31 December 2018. Please refer to Note 2(ii) of the Reporting Accountants' Letter appended as Appendix IV of this Circular.
- (5) Incorporate the effects of the Proposed Disposal and the SLB resulting in a pro forma gain to our Group amounting to approximately RM174.9 million under pro forma III. Please refer to Note 2(iii) of the Reporting Accountants' Letter appended as Appendix IV of this Circular.
- (6) After deducting the net estimated related expenses arising from the Proposed Transaction (including professional fees and loan breakage cost) of RM96.0 million.
- (7) Based on the existing two ordinary shares in AAGB as at 31 December 2017.
- (8) NA per share is computed as shareholders' fund divided by the number of shares in issue.
- (9) Early settlement of borrowings resulting in a reduction of term loan of RM5,319.1 million. Please refer to Note 2(ii) of the Reporting Accountants' Letter appended as Appendix IV of this Circular.
- (10) The disposal proceeds arising from the Proposed Disposal that will be used to early-settle our Group's borrowings, resulting in reduction of term loan by RM2,151.3 million under pro forma III. Please refer to Note 2(iii) of the Reporting Accountants' Letter appended as Appendix IV of this Circular.
- (11) Gross gearing is computed as total borrowings divided by total equity.

On 1 January 2019, Malaysian Financial Reporting Standards (“MFRS”) 16 replaced MFRS 117: Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

The application of MFRS 16 on the operating leases of the 29 aircraft (i.e. being the Aircraft Assets and the SLB Aircraft in which AAB and/or the Affiliate Airlines have entered or will enter into lease arrangements with the respective purchasers under the Proposed Transaction) would result in our Group recognising right-of-use assets and a corresponding liability in respect of these leases upon adoption of MFRS 16, subject to the final adoption policy of MFRS 16.

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5.3 Earnings and EPS

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

- (i) the implied EV for the Entities comprising the Aircraft Assets of RM3,118.5 million and the estimated net proceeds from sale and leaseback of the SLB Aircraft of RM23.5 million;
- (ii) the estimated asset value of the Aircraft Assets of RM2,888.2 million;
- (iii) the estimated aircraft maintenance payables for the Aircraft Assets of RM304.0 million;
- (iv) the estimated tax effect arising from the Proposed Disposal of RM321.1 million; and
- (v) the estimated related expenses arising from the Proposed Transaction (including professional fees and loan breakage cost) of RM96.0 million.

The estimated net gain on disposals will result in an improvement in the EPS by approximately RM0.05, computed based on the estimated net gain on disposals arising from the Proposed Transaction of approximately RM174.9 million divided by 3,341,974,082 AAGB Shares in issue as at the LPD.

Following the Proposed Disposal, our Group is expected to incur rental expenses of approximately RM338.0 million per annum under the lease arrangements for the Aircraft Assets that are to be entered into by our Group pursuant to the SPA. However, the impact of the annual rental expenses is expected to be partially offset by the finance expense savings on bank borrowings of RM87.5 million per annum arising from the repayment of existing borrowings for the Aircraft Assets from the proceeds of the Proposed Disposal as well as annual savings in depreciation expenses for owned aircraft² of RM196.8 million.

Further, we will be able to earn an additional interest income of RM20.7 million during the FYE 31 December 2019 on the assumptions that the Proposed Disposal was completed on 30 June 2019 and the remaining cash proceeds to be received from the Proposed Disposal (net of prepayment of bank borrowings and payment of estimated expenses for the Proposed Disposal) of RM1,295.7 million are placed in an interest-bearing deposit account with a licensed financial institution at an interest rate of 3.2% per annum.

6. CASH COMPANY OR PN17 COMPANY

The Proposed Disposal will not result in our Company becoming a cash company or a PN17 company as defined under the Listing Requirements.

² Does not account for the amortisation for right-of-use asset to be adopted pursuant to MFRS 16 for the FYE 31 December 2019.

7. APPROVALS REQUIRED AND CONDITIONALITY

The SLB does not require the approval of the shareholders of our Company as the applicable percentage ratios calculated pursuant to paragraph 10.02(g) of the Listing Requirements do not exceed 25.0%. Further, the SLB is not conditional upon the Proposed Disposal.

The leasing of the SLB Aircraft by AACL is subject to the prior approval of the Labuan Financial Services Authority.

The Proposed Disposal is subject to the approval of shareholders of our Company at an EGM to be convened.

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

8. TENTATIVE TIMELINE FOR THE PROPOSED TRANSACTION

Barring any unforeseen circumstances and subject to receipt of all approvals of the relevant parties and authorities, the Proposed Transaction is expected to be completed by third quarter of 2019. The tentative timeline for the Proposed Transaction is as follows:

<u>Key Milestones</u>	<u>Tentative Timeline</u>
Our forthcoming EGM for the Proposed Disposal	17 April 2019
Completion of the Proposed Disposal	Second quarter 2019
Completion of the SLB	Third quarter 2019

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

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

10. OUTSTANDING CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save as disclosed below and in respect of the Proposed Transaction which are the subject matter of this Circular, our Board confirms that there is no other corporate proposal that has been announced but pending completion before the printing of this Circular:

On 31 March 2017, AAB announced that AirAsia Investment Ltd., a wholly-owned subsidiary of our Company, had on 30 March 2017, executed a shareholders' agreement and a share subscription agreement with Gumin Company Limited, Mr. Tran Trong Kien and Hai Au Aviation Joint Stock Company ("**HAA**") to establish a low-cost carrier in Vietnam ("**Joint Venture in Vietnam**"). On 6 December 2018, AAGB also signed a Memorandum of Cooperation reaffirming its intention to set up a low-cost carrier in Vietnam with Thien Minh Travel Joint Stock Company and HAA on the terms agreed between the parties. As at the LPD, the Joint Venture in Vietnam is pending completion.

11. DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed Disposal, including but not limited to the rationale and benefits, and pro forma effects of the Proposed Disposal, our Board:

- (i) is of the opinion that the Proposed Disposal is in the best interests of our Company and our shareholders; and
- (ii) recommends that you vote in favour of the resolution as set out in the notice of EGM to be tabled at our forthcoming EGM.

12. EGM

Our forthcoming EGM will be held at CAE Kuala Lumpur Sdn Bhd, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Wednesday, 17 April 2019 at 10.00 a.m., or adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution as set out in the notice of EGM which is enclosed in this Circular.

If you are unable to attend and vote in person at our forthcoming EGM, you are requested to complete and return the enclosed Proxy Form following the instructions therein as soon as possible so as to arrive at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time fixed for our forthcoming EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at our forthcoming EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

You are required to refer to the attached appendices in this Circular for additional information.

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

DATUK KAMARUDIN BIN MERANUN
Executive Chairman

SALIENT TERMS OF THE SPA

Whilst steps have been taken to ensure that salient terms which are necessary for the shareholders' consideration are summarised here, there is no warranty that this summary is complete. Otherwise, the SPA is available for inspection as indicated in Section 7 of Appendix V of this Circular.

1. Base Purchase Price

Subject to adjustments in accordance with the SPA, the Base Purchase Price payable by the Purchaser for the purchase of the Sale Shares shall be USD768.0 million (approximately RM3,130.8 million).

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

- (i) subtracting the aggregate of the daily rent amount for such Aircraft Asset (which is calculated by multiplying the monthly rent amount by 12 and dividing the result by 365) for the period from (but excluding) 1 January 2019 and up to (and including) the relevant date of completion of the transfer to the Purchaser of the relevant Entity that will hold interests in such Aircraft Asset;
- (ii) adding an amount equal to 5.25% per annum of the Allocated Consideration Amount for the period from (but excluding) 1 January 2019 and up to (and including) the relevant date of completion of the transfer to the Purchaser of the relevant Entity that will hold interests in such Aircraft Asset; and
- (iii) subtracting the security deposit in the relevant lease referable to such Aircraft Asset, being an amount equal to one month's rent for such Aircraft Asset,

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

The Base Purchase Price for the Proposed Disposal was arrived at on a willing-buyer willing-seller basis after taking into consideration as set out in Section 2.7 of this Circular.

The Base Purchase Price for each individual aircraft will be based on the estimated current market value of this particular aircraft (based on generic aircraft valuation) divided by the total estimated current market value of the Aircraft Assets (based on generic aircraft valuation) multiplied by the Base Purchase Price of USD768.0 million (approximately RM3,130.8 million).

2. Mode of settlement

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

- (i) a non-refundable deposit of USD20.0 million (approximately RM81.5 million) ("**Deposit**") into an escrow account which has been paid by the Purchaser on 24 December 2018; and
- (ii) at each completion of the sale and transfer of a Sale Share of an Entity, the Purchaser will pay or procure payment to AACL of an amount which shall be equal to the aggregate of the Adjusted Transfer Amounts in respect of the relevant Aircraft Assets in which such Entity own(s).

SALIENT TERMS OF THE SPA (CONT'D)

3. Conditions precedent

The completion of sale and transfer of the Sale Share in respect of each Entity shall be conditional on the satisfaction of, including but not limited to, the following conditions precedent (the "**Completion Conditions Precedent**") in respect of such Entity and in respect of the relevant Aircraft Assets that such Entity has interests in:

- (i) the passing at a shareholder's general meeting of AAGB of a resolution to approve the Proposed Disposal;
- (ii) no total loss or material damage shall have occurred in respect of the relevant Aircraft Assets;
- (iii) the relevant Aircraft Assets shall not have been repossessed from the applicable lessee;
- (iv) no material event of default shall have occurred which is continuing under the lease of the relevant Aircraft Assets, namely, (i) no insolvency related event of default has occurred and is continuing with respect to the relevant Lessee, (ii) there has been no cancellation of the insurance policy relating to the relevant aircraft and (iii) the air operator's certificate of the relevant Lessee has not been revoked;
- (v) the fundamental warranties related to the relevant Aircraft Assets shall be true and accurate in all material respects;
- (vi) no change in law shall have occurred rendering it illegal for any party to perform any of its respective material obligations under the SPA or for the applicable lessee to pay rent under the relevant lease;
- (vii) the applicable affiliate of AACL shall not have consented to the creation of any sub-lease other than as contemplated by the relevant lease agreement which would materially adversely affect the economic value of the Aircraft Assets;
- (viii) with respect to the relevant Aircraft Assets:
 - (a) each condition to the effectiveness of the asset transfer documents with respect to such Aircraft Asset shall have been satisfied or waived or deferred;
 - (b) subject to (c) below, each condition precedent for the benefit of the relevant new lessor required by the terms of the lease agreement with respect to an Aircraft Asset (collectively, the "**Effectiveness Lease Conditions**") shall have been satisfied, waived or deferred; and
 - (c) in the event that more than 10 conditions precedent (other than the Effectiveness Lease Conditions) in any lease agreement with respect to an Aircraft Asset have not been satisfied by the relevant lessees for more than five days (or such longer periods as may have been agreed), such condition precedent may be designated by the relevant lessees and lessors as conditions subsequent, and in such event, all conditions precedent in any such lease agreement shall be considered to be Effectiveness Lease Conditions until all such conditions subsequent have been satisfied;
- (ix) in respect of the Aircraft Asset which is an Airbus A320 CEO only, copies of (a) the lessor default agreement between the Entities and GE On Wing Support (Malaysia) Sdn Bhd and each other lessor party thereto pursuant to an accession deed entered into from time to time in connection with a relevant engine and (b) the tripartite agreement between GE On Wing Support (Malaysia) Sdn. Bhd., AAB and the Entities executed by all relevant parties, in each case in the agreed form;

SALIENT TERMS OF THE SPA (CONT'D)

- (x) copies of the corporate authorisation of the relevant Entities to enter into the transactions contemplated by the SPA and the asset transfer documents;
- (xi) with respect to the final completion, the relevant parties having signed the lease agreements in relation to the SLB Aircraft;
- (xii) a non-incident statement in respect of the relevant Aircraft Assets; and
- (xiii) transfer of the relevant Aircraft Assets to the relevant Entities (or to its nominee) in accordance with the relevant transfer notice and schedule having occurred.

4. Completion

The transfer of rights in relation to the Aircraft Assets will take place under the relevant asset transfer documents in respect of each Aircraft Asset following the transfer of such Aircraft Assets to the relevant Entity (or to its nominee).

On a transfer of each Aircraft Asset, the relevant Entity (or its nominee that holds the relevant Aircraft Asset that such Entity is a beneficiary of) will enter into a new lease agreement in respect of such Aircraft Asset pursuant to which the relevant Entity (or such nominee) will effectively lease the relevant Aircraft Asset to be ultimately operated by AAB, or an Affiliate Airline via AACL or its affiliate or nominee.

Completion of the sale and purchase of the Sale Share in respect of an Entity will take place on the date falling two business days after the transfer has occurred in respect of the Aircraft Assets to be transferred to such Entity (or its nominee) (other than those transfers that have been postponed or terminated in accordance with the terms of the SPA).

5. Representation and warranties

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

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

6. Termination

The SPA will terminate if the approval of AAGB's shareholders for the transactions contemplated by the SPA is not received and if AACL decides to exercise its right to terminate the SPA in relation thereto.

SALIENT TERMS OF THE SPA (CONT'D)

The SPA will terminate, with respect to an Entity and the relevant Aircraft Assets transferred or to be transferred to such Entity or its nominee:

- (i) if the Completion Conditions Precedent to the transfer of the relevant Sale Share is not satisfied by 5.00 p.m. on the date that is six months after the date on which approval of the transactions contemplated by the SPA has been obtained from AAGB's shareholders; and
- (ii) if the completion of the transfer of a Sale Share does not take place on an extended completion date determined pursuant to the SPA, following the satisfaction of all relevant Completion Conditions Precedent thereto, at the option of the party not in default.

If the SPA terminates pursuant to the circumstances set out above, each of the party's further rights and obligations under the SPA and/or with respect to the relevant Sale Share and the relevant Aircraft Assets (as the case may be) will cease immediately on such termination save for the surviving provisions of the SPA (this would include the right to claim remedies under/pursuant to the SPA (and other transaction documents) and the need to maintain confidentiality as required in the SPA).

In such case, no party (nor any of their respective affiliates) shall have any claim under the SPA and/or in respect of the relevant Sale Share and the Aircraft Assets of any nature whatsoever against any other party (nor any of their respective affiliates), except in respect of any rights and liabilities which have accrued before such termination or under any of the surviving provisions (such as, a right to claim damages for a breach of the SPA that occurs prior to its termination, or a liability to pay such damages).

If the SPA terminates with respect to an Aircraft Asset or an Entity that has an interest in such Aircraft Asset pursuant to the terms of the SPA, the asset transfer documents that have been entered into in respect of such Aircraft Asset(s) will also terminate.

To the extent not previously applied in accordance with the terms of the SPA, the Deposit under the SPA shall be released from the escrow account (i) to the Purchaser, if the transfer of relevant Aircraft Asset fails to occur due to a default by AACL of its obligations under the SPA; and (ii) to AACL, if AACL terminates the SPA due to a default by the Purchaser of its obligations under the SPA. The Deposit will otherwise be released from the escrow account to AACL and applied in satisfaction of the Purchaser's obligations to pay the Adjusted Transfer Amount in accordance with the terms of the SPA.

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SALIENT TERMS OF THE SLB AGREEMENT

Whilst steps have been taken to ensure that salient terms which are necessary for the shareholders' consideration are summarised here, there is no warranty that this summary is complete. Otherwise, the SLB Agreement is available for inspection as indicated in Section 7 of Appendix V of this Circular.

The sale and purchase of the SLB Aircraft listed in the SLB Agreement will be effected through a transfer of AAB's rights to purchase each SLB Aircraft under the Airbus Purchase Agreement (i) from AAB to AACL; and (ii) from AACL to the Purchasing Entity. Each SLB Aircraft will be delivered to the Purchasing Entity on an "as is, where is" basis and subject to and with the benefit of the leases.

The leasing structure in respect of each SLB Aircraft is as contemplated in the SLB Agreement. The Purchaser shall give AACL written notice of the identity of any Purchasing Entity no later than 10 business days before the scheduled delivery date notified to the Purchaser pursuant to the SLB Agreement. The Purchaser shall pay, or procure the payment of, the relevant portions of the purchase price in respect of a SLB Aircraft to Airbus and AACL respectively on or before the relevant delivery date.

AACL may terminate its obligation to sell a SLB Aircraft by written notice to the Purchaser if:

- (i) the Airbus Purchase Agreement in respect of such SLB Aircraft is terminated before its delivery; or
- (ii) the relevant lease agreement(s) in respect of such SLB Aircraft is terminated before its delivery.

The Purchaser may terminate its obligation to purchase a SLB Aircraft by written notice to AACL if:

- (i) the relevant lease agreement(s) in respect of such SLB Aircraft is terminated as a result of an event of default that is continuing thereunder prior to its delivery; or
- (ii) any of the buyer conditions set forth in the SLB Agreement in respect of such SLB Aircraft remains outstanding on 31 December 2019.

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INFORMATION ON THE AIRCRAFT ASSETS AND THE SLB AIRCRAFT

1. Aircraft Assets

As at the date of the SPA, the Aircraft Assets comprising 18 Airbus A320 CEO and seven Airbus A320 NEO and they are owned by AAB. As at the date of the SPA, all of the Aircraft Assets are operated by AAB.

2. SLB Aircraft

<u>SLB Aircraft</u>	<u>Scheduled date of delivery</u>	<u>Catalogue price</u>
Four (4) Airbus A320 CEO	From the effective date of the respective agreements up till July 2019	USD404.0 million (approximately RM1,646.9 million)

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INFORMATION ON THE MERAH AVIATION ENTITIES

(A) MERAH AVIATION**1. Background**

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

2. Share capital

As at the LPD, Merah Aviation has one issued ordinary share of USD1.00.

3. Substantial shareholders

As at the LPD, Merah Aviation is a direct wholly-owned subsidiary of AACL, which in turn is an indirect wholly-owned subsidiary of our Company.

4. Directors

As at the LPD, the directors of Merah Aviation and their respective shareholdings in Merah Aviation are as follows:

Name	Nationality	Designation
Kate Macken	Irish	Director
Ciaran Madigan	Irish	Director

As at the LPD, none of the directors have any direct or indirect shareholdings in Merah Aviation.

5. Subsidiaries and associated companies

As at the LPD, Merah Aviation does not have any subsidiaries.

6. Summary of financial information

There is no audited financial information on Merah Aviation as the company is newly incorporated.

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INFORMATION ON THE MERAH AVIATION ENTITIES (CONT'D)

(B) MERAH AVIATION 2**1. Background**

Merah Aviation 2 was incorporated as a private company limited by shares under the laws of Ireland on 6 March 2019 and is principally engaged in the owning, leasing and/or financing of aircraft.

2. Share capital

As at the LPD, Merah Aviation 2 has one issued ordinary share of USD1.00.

3. Substantial shareholders

As at the LPD, Merah Aviation 2 is a direct wholly-owned subsidiary of AACL, which in turn is an indirect wholly-owned subsidiary of our Company.

4. Directors

As at the LPD, the directors of Merah Aviation 2 and their respective shareholdings in Merah Aviation 2 are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Designation</u>
Kate Macken	Irish	Director
Ciaran Madigan	Irish	Director

As at the LPD, none of the directors have any direct or indirect shareholdings in Merah Aviation 2.

5. Subsidiaries and associated companies

As at the LPD, Merah Aviation 2 does not have any subsidiaries.

6. Summary of financial information

There is no audited financial information on Merah Aviation 2 as the company is newly incorporated.

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INFORMATION ON THE MERAH AVIATION ENTITIES (CONT'D)

(C) MERAH AVIATION 3**1. Background**

Merah Aviation 3 was incorporated as a private company limited by shares under the laws of Ireland on 6 March 2019 and is principally engaged in the owning, leasing and/or financing of aircraft.

2. Share capital

As at the LPD, Merah Aviation 3 has one issued ordinary share of USD1.00.

3. Substantial shareholders

As at the LPD, Merah Aviation 3 is a direct wholly-owned subsidiary of AACL, which in turn is an indirect wholly-owned subsidiary of our Company.

4. Directors

As at the LPD, the directors of Merah Aviation 3 and their respective shareholdings in Merah Aviation 3 are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Designation</u>
Kate Macken	Irish	Director
Ciaran Madigan	Irish	Director

As at the LPD, none of the directors have any direct or indirect shareholdings in Merah Aviation 3.

5. Subsidiaries and associated companies

As at the LPD, Merah Aviation 3 does not have any subsidiaries.

6. Summary of financial information

There is no audited financial information on Merah Aviation 3 as the company is newly incorporated.

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INFORMATION ON THE MERAH AVIATION ENTITIES (CONT'D)

(D) MERAH AVIATION 4**1. Background**

Merah Aviation 4 was incorporated as a private company limited by shares under the laws of Ireland on 6 March 2019 and is principally engaged in the owning, leasing and/or financing of aircraft.

2. Share capital

As at the LPD, Merah Aviation 4 has one issued ordinary share of USD1.00.

3. Substantial shareholders

As at the LPD, Merah Aviation 4 is a direct wholly-owned subsidiary of AACL, which in turn is an indirect wholly-owned subsidiary of our Company.

4. Directors

As at the LPD, the directors of Merah Aviation 4 and their respective shareholdings in Merah Aviation 4 are as follows:

Name	Nationality	Designation
Kate Macken	Irish	Director
Ciaran Madigan	Irish	Director

As at the LPD, none of the directors have any direct or indirect shareholdings in Merah Aviation 4.

5. Subsidiaries and associated companies

As at the LPD, Merah Aviation 4 does not have any subsidiaries.

6. Summary of financial information

There is no audited financial information on Merah Aviation 4 as the company is newly incorporated.

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INFORMATION ON THE MERAH AVIATION ENTITIES (CONT'D)

(E) MERAH AVIATION 5**1. Background**

Merah Aviation 5 was incorporated as a private company limited by shares under the laws of Ireland on 6 March 2019 and is principally engaged in the owning, leasing and/or financing of aircraft.

2. Share capital

As at the LPD, Merah Aviation 5 has one issued ordinary share of USD1.00.

3. Substantial shareholders

As at the LPD, Merah Aviation 5 is a direct wholly-owned subsidiary of AACL, which in turn is an indirect wholly-owned subsidiary of our Company.

4. Directors

As at the LPD, the directors of Merah Aviation 5 and their respective shareholdings in Merah Aviation 5 are as follows:

Name	Nationality	Designation
Kate Macken	Irish	Director
Ciaran Madigan	Irish	Director

As at the LPD, none of the directors have any direct or indirect shareholdings in Merah Aviation 5.

5. Subsidiaries and associated companies

As at the LPD, Merah Aviation 5 does not have any subsidiaries.

6. Summary of financial information

There is no audited financial information on Merah Aviation 5 as the company is newly incorporated.

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OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared for inclusion in the Circular to Shareholders to be dated 1 April 2019)

29 March 2019

The Board of Directors
 AirAsia Group Berhad
 Unit 30-01, Level 30, Tower A,
 Vertical Business Suite, Avenue 3,
 Bangsar South, No. 8, Jalan Kerinchi,
 59200 Kuala Lumpur,
 Malaysia.

Dear Sirs

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 FOR THE PROPOSED DISPOSAL BY AIRASIA GROUP BERHAD OF 100.0% EQUITY INTEREST EACH IN MERAH AVIATION ENTITIES TO AS AIR LEASE HOLDINGS 5T DAC, AN ENTITY INDIRECTLY CONTROLLED BY CASTLELAKE, L.P. ("PROPOSED DISPOSAL")

We have completed our assurance engagement to report on the compilation of pro forma consolidated statement of financial position of AirAsia Group Berhad (the "Company or AAGB") prepared by the Directors of the Company. The pro forma consolidated statement of financial position as at 31 December 2017 and the related notes are as set out in Appendix 1 which we have stamped for the purpose of identification.

The pro forma consolidated statement of financial position for inclusion in the circular to shareholders of the Company in relation to the Proposed Disposal ("Circular") has been compiled by the Directors to illustrate the impact of the Proposed Disposal on AAGB's financial position as at 31 December 2017 as if the Proposed Disposal had taken place at 31 December 2017. As part of this process, information about the financial position has been extracted by the Directors from the financial statements of AAGB (incorporated on 24 August 2017) and AirAsia Berhad ("AAB") for the financial period/year ended 31 December 2017, 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 described in Appendix 1 to this report.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion, 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 the Malaysian Approved 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. 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 financial information on the basis of the applicable criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions 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 a Circular is solely to illustrate the impact of the Proposed Disposal on the unadjusted statement of financial position of the entity as if the Proposed Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal would have been as presented.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**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 Proposed Disposal, 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 judgment, having regard to our understanding of the nature of the Company, the Proposed Disposal 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 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 described in Note 1 of Appendix 1.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Other matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines - Equity issued by the Securities Commission in connection with the Proposed Disposal. Our work had been carried out in accordance with Malaysian Approved 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 letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Disposal 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 letter in connection with any type of transaction, including the sale of securities other than the Proposed Disposal.

Yours faithfully

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young
AF: 0039
Chartered Accountants

A handwritten signature in black ink that reads 'Nurida Salwa Binti Mohd Muhili'.

Nurida Salwa Binti Mohd Muhili
No. 03371/06/2020 J
Chartered Accountant

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

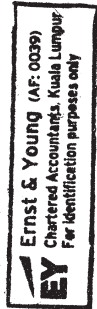


APPENDIX 1

**AIRASIA GROUP BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

The pro forma consolidated statement of financial position of AirAsia Group Berhad ("AAGB") as at 31 December 2017 as set out below is presented for illustrative purposes only and is based on the audited statement of financial position of AAGB and consolidated statement of financial position of AirAsia Berhad ("AAB") as at 31 December 2017 to show the effects of the internal reorganisation, subsequent material events, the Proposed Disposal and the sale and leaseback of four (4) aircraft to be delivered in 2019 with AS Air Lease Holdings 5T DAC ("SLB") (the Proposed Disposal and the SLB are collectively referred to as, the "Proposed Transaction") had they been effected on 31 December 2017 and should be read in conjunction with the Notes thereon.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

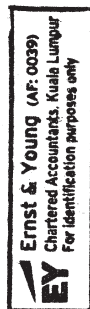


APPENDIX 1

AIRASIA GROUP BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (CONT'D.)

	Audited as at 31.12.17		Pro forma I		AAGB		Pro forma II		Pro forma III	
	AAGB RM'000	AAB RM'000	Increase/ (Decrease) RM'000	Note	After completion of the internal reorganisation	Increase/ (Decrease) RM'000	Note	After Pro forma I and subsequent material events	Increase/ (Decrease) RM'000	Note
Non-current assets										
Property, plant and equipment	-	12,303,522	-		12,303,522	(6,901,848)	2.ii a)	5,401,674	(2,888,185)	2.iii a)
Investment in joint ventures	-	5,596	-		5,596	-		5,596	-	
Investment in associates	-	548,558	-		548,558	-		548,558	-	
Available-for-sale financial assets	-	301,518	-		301,518	262,043	2.ii e)	563,561	-	
Intangible assets	-	609,329	-		609,329	-		609,329	-	
Deferred tax assets	-	486,880	-		486,880	558,788	2.ii b)	1,045,668	321,135	2.iii a)
Receivables and prepayments	-	2,301,531	-		2,301,531	-		2,301,531	-	
Deposits on aircraft purchase	-	412,272	-		412,272	-		412,272	-	
Derivative financial instruments	-	382,177	-		382,177	-		382,177	-	
	-	17,351,383	-		17,351,383	(6,081,017)		11,270,366	(2,567,050)	
Current assets										
Inventories	-	68,234	-		68,234	-		68,234	-	
Receivables and prepayments	-	1,482,291	-		1,482,291	75,771	2.ii c)	1,558,062	35,167	2.iii c)
Deposits on aircraft purchase	-	503,914	-		503,914	-		503,914	-	
Derivative financial instruments	-	205,380	-		205,380	-		205,380	-	
Amounts due from joint ventures	-	4,893	-		4,893	-		4,893	-	
Amounts due from associates	-	147,617	-		147,617	-		147,617	-	
Amounts due from related parties	-	7,875	-		7,875	-		7,875	-	
Tax recoverable	-	20,296	-		20,296	-		20,296	-	
Deposits, cash and bank balances	-	1,882,195	395	2.i	1,882,590	3,781,644	2.ii g)	5,664,234	891,762	2.iii d)
	-	4,322,695	395		4,323,090	3,857,415		8,180,505	926,929	

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

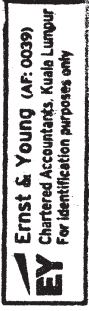


APPENDIX 1

AIRASIA GROUP BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (CONT'D.)

	Audited as at 31.12.17		Pro forma I		AAGB		Pro forma II		Pro forma III		
	AAGB RM'000	AAB RM'000	Increase/ (Decrease) RM'000	Note	After completion of the internal reorganisation	Increase/ (Decrease) RM'000	Note	After Pro forma I and subsequent material events	Increase/ (Decrease) RM'000	Note	After Pro forma II and Proposed Transaction
Current liabilities											
Trade and other payables	6	2,148,682	-		2,148,688	346,169	2.ii d)	2,494,857	117,021	2.iii c)	2,611,878
Aircraft maintenance provisions	-	178,569	-		178,569	-		178,569	-		178,569
Sales in advance	-	938,342	-		938,342	-		938,342	-		938,342
Amounts due to associates	-	59,499	-		59,499	-		59,499	-		59,499
Amounts due to related parties	-	94,019	-		94,019	-		94,019	-		94,019
Borrowings	-	1,821,847	-		1,821,847	(303,084)	2.ii f)	1,518,763	(344,244)	2.iii b)	1,174,519
Provision for taxation	-	18,033	-		18,033	-		18,033	-		18,033
Derivative financial instruments	-	74,852	-		74,852	-		74,852	-		74,852
	6	5,333,843	-		5,333,849	43,085		5,376,934	(227,223)		5,149,711
Net current (liabilities)/assets	(6)	(1,011,148)	395		(1,010,759)	3,814,330		2,803,571	1,154,152		3,957,723
Non-current liabilities											
Trade and other payables	-	1,239,024	-		1,239,024	2,136,042	2.ii d)	3,375,066	191,763	2.iii c)	3,566,829
Aircraft maintenance provisions	-	559,069	-		559,069	-		559,069	-		559,069
Deferred tax liabilities	-	104,954	-		104,954	-		104,954	-		104,954
Amounts due to associates	-	86,292	-		86,292	-		86,292	-		86,292
Amount due to a related party	-	10,939	-		10,939	-		10,939	-		10,939
Borrowings	-	7,486,787	-		7,486,787	(5,016,001)	2.ii f)	2,470,786	(1,807,141)	2.iii b)	663,645
Derivative financial instruments	-	70,883	-		70,883	-		70,883	-		70,883
Provision for retirement benefits	-	72,207	-		72,207	-		72,207	-		72,207
	-	9,630,155	-		9,630,155	(2,879,959)		6,750,196	(1,615,378)		5,134,818
	(6)	6,710,080	395		6,710,469	613,272		7,323,741	202,480		7,526,221

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (CONT'D.)

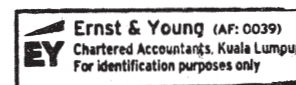
	Audited as at 31.12.17		Pro forma I		AAGB		Pro forma II		Pro forma III		
	AAGB RM'000	AAB RM'000	Increase/ (Decrease) RM'000	Note	After completion of the internal reorganisation RM'000	Increase/ (Decrease) RM'000	Note	After Pro forma I and subsequent material events RM'000	Increase/ (Decrease) RM'000	Note	After Pro forma II and Proposed Transaction RM'000
Capital and reserves											
Share capital	-*	2,515,438	5,507,829	2.i	8,023,267	-		8,023,267	-		8,023,267
Merger deficit	-	-	(5,507,594)	2.i	(5,507,594)	-		(5,507,594)	-		(5,507,594)
Treasury shares	-	(160)	160	2.i	-	-		-	-		-
Foreign exchange reserve	-	196,050	-		196,050	-		196,050	-		196,050
(Accumulated losses)/ Retained earnings	(6)	5,404,393	-		5,404,387	530,601	2.ii	5,934,988	174,856	2.iii e)	6,109,844
Other reserves	-	(67,608)	-		(67,608)	82,671	2.ii f)	15,063	27,624	2.iii b)	42,687
	(6)	8,048,113	395		8,048,502	613,272		8,661,774	202,480		8,864,254
Non-controlling interests	-	(1,338,033)	-		(1,338,033)	-		(1,338,033)	-		(1,338,033)
	(6)	6,710,080	395		6,710,469	613,272		7,323,741	202,480		7,526,221
Number of ordinary shares ('000)	-**	3,341,974			3,341,974			3,341,974			3,341,974
Net asset per share (RM)	(3,000)	2.41			2.41			2.59			2.65

* The issued share capital of AAGB was RM2 as at 31 December 2017.

** Based on the existing 2 AAGB shares.

This pro forma consolidated statement of financial position should be read in conjunction with the following notes.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

1. Basis of preparation

The pro forma consolidated statement of financial position of AAGB for which the Directors are solely responsible, has been prepared for illustrative purposes only for the inclusion in the circular to shareholders of AAGB.

The pro forma consolidated statement of financial position illustrates the effect of the proposed disposal by AAGB of 100.0% equity interest each in the following:

- (i) Merah Aviation Asset Holding Limited;
- (ii) Merah Aviation Asset Holding Two Limited;
- (iii) Merah Aviation Asset Holding Three Limited;
- (iv) Merah Aviation Asset Holding Four Limited; and
- (v) Merah Aviation Asset Holding Five Limited

(such companies, collectively, the "Merah Aviation Entities" or "Entities"), to AS Air Lease Holdings 5T DAC ("Purchaser"), an entity indirectly controlled by Castlelake, L.P., had the Proposed Transaction been implemented and completed on 31 December 2017.

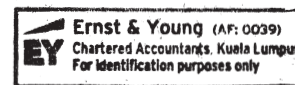
The pro forma consolidated statement of financial position of AAGB takes into account the effects of the internal reorganisation by way of a scheme of arrangement comprising the exchange of AAB shares with AAGB shares on the basis of 1 new AAGB share for every 1 existing AAB share held on 6 April 2018. The internal reorganisation was completed on 16 April 2018 and has been accounted for using merger accounting principles as there is no change to the shareholder group and it does not affect the consolidated financial statements of the existing AAB group of companies ("AAB Group"). Accordingly, the pro forma consolidated statement of financial position of AAGB represents the consolidation of AAGB to AAB Group.

The pro forma consolidated statement of financial position of AAGB has been properly compiled using the audited financial statements of AAGB and the audited consolidated financial statements of AAB for the financial period/year ended 31 December 2017 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards, and in a manner consistent with both the format of financial statements and the accounting policies of AAGB and AAB.

The pro forma consolidated statement of financial position, because of its nature, may not be reflective of AAGB's actual financial position. Furthermore, such financial information does not purport to predict the future financial position of AAGB.

The pro forma consolidated statement of financial position is expressed in Ringgit Malaysia ("RM"), and rounded to the nearest thousand, unless otherwise stated. The foreign exchange rate of USD1.00: RM4.0605 used in this pro forma consolidated statement of financial position is consistent with the rate used in preparing the financial statements of AAGB and AAB as at 31 December 2017.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position

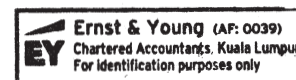
The pro forma consolidated statement of financial position incorporates the effects of:

- a. The internal reorganisation of AAB through a scheme of arrangement comprising the exchange of AAB shares with AAGB shares on the basis of 1 new AAGB share for every 1 existing AAB share held on 6 April 2018 and AAGB assuming the listing status of AAB on the Main Market of Bursa Securities (the "Internal Reorganisation");
- b. Adjustments to account for subsequent material events between 1 January 2018 and 31 December 2018;
- c. The proposed disposal by Asia Aviation Capital Limited ("AACL") to the Purchaser of its entire equity interests in the Merah Aviation Entities, which collectively will own the 25 aircraft, for a total disposal consideration of USD768.0 million (approximately RM3,118.5 million), subject to terms and conditions as stipulated in the amended share purchase agreement ("Proposed Disposal").

AACL had also on even date entered into a sale and leaseback agreement with the Purchaser for the sale by AACL to the Purchaser and leaseback of four (4) new aircraft ("SLB Aircraft"), subject to terms and conditions as stipulated in the sale and leaseback agreement ("SLB"). The SLB Aircraft will be ultimately operated by: (i) in the case of two of the SLB Aircraft, AirAsia Japan Co. Ltd and (ii) in the case of the other two SLB Aircraft, AAB.

The Proposed Disposal and the SLB are collectively referred to as, the "Proposed Transaction".

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

The Internal Reorganisation, subsequent material events and Proposed Transaction will have the following effects on the pro forma consolidated statement of financial position as at 31 December 2017.

i. Pro forma I - After completion of the Internal Reorganisation

The Internal Reorganisation involves the exchange of AAB shares with AAGB shares on the basis of 1 new AAGB share for every 1 existing AAB share held by shareholders on 6 April 2018. Upon the completion of the share exchange, AAGB is the new holding company of AAB Group and assumed the listing status of AAB on 16 April 2018. Accordingly, AAB was delisted from the Official List of Bursa Securities and AAGB is admitted to the Official List of Bursa Securities in place of AAB with the listing of and quotation for the entire number of issued shares of 3,341,974,082 AAGB shares on the Main Market of Bursa Securities.

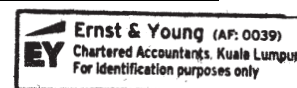
The Internal Reorganisation has been accounted for using merger accounting principles as there is no change to the shareholder group and it does not affect the consolidated financial statements of the existing AAB Group. Accordingly, the pro forma consolidated financial statements of AAGB is a continuation of the existing AAB Group. The pro forma consolidated financial statements reflected the difference in share capital (i.e. difference between AAGB's enlarged share capital of RM8,023.0 million and AAB's share capital of RM2,515.4 million) as an adjustment to equity, via recognition of a merger deficit of RM5,507.6 million.

The pro forma effects of the Internal Reorganisation are illustrated below:

	Audited as at 31 December 2017		Increase/ (decrease) RM'000	Pro forma I RM'000
	AAGB RM'000	AAB RM'000		
Deposits, cash and bank balances	-*	1,882,195	395	1,882,590
Share capital	-*	2,515,438	5,507,829	8,023,267
Merger deficit	-	-	(5,507,594)	(5,507,594)
Treasury shares	-	(160)	160	-
(Accumulated losses)/ Retained earnings	(6)	5,404,393	-	5,404,387

* The issued share capital of AAGB was RM2 as at 31 December 2017.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

ii. Pro forma II - After Pro forma I and subsequent material events

Pro forma II takes into account the effects of the subsequent material events completed between 1 January 2018 and 31 December 2018.

The AAGB group of companies ("AAGB Group" or "the Group") through its wholly-owned subsidiary, AACL, disposed 82 aircraft (including the outright sale of 7 aircraft) and 14 aircraft engines for a disposal consideration of RM9,775.6 million, resulted in a gain on disposal amounting to RM530.6 million, comprising the following:

- a. The disposal of 9 aircraft held by Red Aircraft Holdings 1 Co., Ltd ("Red 1"), a wholly-owned subsidiary of AAB, under AACL, through the disposal of the entire equity interest in Red 1 and the outright sale of 7 aircraft to Herondell Limited ("Herondell");
- b. The disposal of 34 aircraft held by Red Aircraft Holdings 2 Co., Ltd ("Red 2"), a wholly-owned subsidiary of AAB, under AACL, through the disposal of the entire equity interest in Red 2, as well as the outright sale of 7 aircraft engines to Incline Aladdin Holdings Limited ("Incline Aladdin"). As part of the arrangement, the Group invested in unquoted Incline Aladdin Fund amounting to RM59.0 million;
- c. The disposal of 32 aircraft held by Red Aircraft Holdings 3 Co., Ltd ("Red 3") and Red Aircraft Holdings 4 Co., Ltd ("Red 4"), both of which are wholly-owned subsidiaries of AAB, under AACL, through the disposal of the entire equity interests in Red 3 and Red 4, as well as the outright sale of 7 aircraft engines to Fly Aladdin Holdings Limited ("Fly Aladdin"). As part of the arrangement, the Group invested in quoted Fly Aladdin Depository Shares amounting to RM203.0 million.

In relation to this, the Group also entered into lease agreements with Herondell, Incline Aladdin and Fly Aladdin to leaseback 82 aircraft and 14 aircraft engines to AAB and/or its affiliate airlines within the Group.

The effects of these subsequent material events are as follows:

- a) Decrease in "Property, plant and equipment" account amounting to RM6,901.8 million as a result of the de-recognition of the net carrying amount of the disposed 75 aircraft (excluding the outright sale of 7 aircraft) and 14 aircraft engines;

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

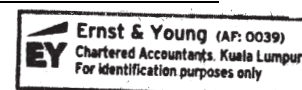
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

ii. Pro forma II - After Pro forma I and subsequent material events (Cont'd.)

- b) Net effect of the de-recognition of deferred tax assets due to the investment tax allowance ("ITA") clawed back as disposal of aircraft happened within 5 years from the date of acquisition and reversal of deferred tax liabilities arising from temporary differences between tax written down value and net carrying amount of the aircraft, resulted in a net increase in deferred tax assets of RM558.8 million;
- c) Placement of lease deposits to Herondell, Incline Aladdin and Fly Aladdin amounting to RM75.8 million, which resulted in an increase in current receivables and prepayments;
- d) Increased of RM346.2 million and RM2,136.0 million in current and non-current trade and other payables respectively as a result of the following:
- (i) Additional aircraft maintenance payables of RM2,561.1 million (comprising RM196.6 million and RM2,364.5 million in current and non-current trade and other payables respectively) set aside for the aircraft and aircraft engines;
 - (ii) Accrued expenses attributed to the disposal amounting to RM149.6 million, resulting in an increase in current trade and other payables;
 - (iii) Transfer of maintenance reserve funds collected from the Group's affiliate airlines of RM196.4 million to Fly Aladdin and Incline Aladdin, resulting in a decrease in non-current trade and other payables; and
 - (iv) Transfer of lease deposits received from the Group's affiliate airlines to Herondell, Incline Aladdin and Fly Aladdin amounting to RM52.3 million and unwinding of discounting effect on non-current deposits of RM20.2 million, resulting in a net decrease of RM32.1 million in non-current trade and other payables;
- e) Pursuant to the terms of the transaction, between the Group, Incline Aladdin and Fly Aladdin, the Group has invested in:
- (i) Unquoted Incline Aladdin Fund amounting to RM59.0 million; and
 - (ii) Quoted Fly Aladdin Depositary Shares amounting to RM203.0 million.
- Accordingly, the above investments resulted in an increase of RM262.0 million in available-for-sale financial assets;
- f) Early settlement of the Group's borrowings resulting in a reduction of term loan of RM5,319.1 million (comprising RM303.1 million and RM5,016.0 million in current and non-current portion respectively) and to settle its related expenses amounting to RM88.4 million. Further, other reserves will increase by RM82.7 million as a result of the recycling of cash flow hedge from other comprehensive income ("OCI") to profit or loss ("P/L");

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

ii. Pro forma II - After Pro forma I and subsequent material events (Cont'd.)

- g) Net movement in deposits, cash and bank balances of RM3,781.6 million as a result of the following:
- (i) Proceeds from the disposal of 82 aircraft and 14 aircraft engines totaling to RM9,775.6 million;
 - (ii) Transfer of maintenance reserve funds collected on 82 aircraft and 14 aircraft engines to Fly Aladdin and Incline Aladdin amounting to RM196.4 million;
 - (iii) Cash outflow to invest in the Incline Aladdin Fund and Fly Aladdin Depositary Shares amounting to RM262.0 million;
 - (iv) Early repayment of borrowings of RM5,319.1 million and its related expenses amounting to RM88.4 million; and
 - (v) Placement and transfer of lease deposits amounting to RM75.8 million and RM52.3 million, respectively.

The pro forma effects of the subsequent material events are illustrated below:

	After Pro forma I RM'000	(Decrease)/ increase RM'000	Pro forma II RM'000
Property, plant and equipment	12,303,522	(6,901,848)	5,401,674
Deferred tax assets	486,880	558,788	1,045,668
Receivables and prepayments			
- current	1,482,291	75,771	1,558,062
Deposits, cash and bank balances	1,882,590	3,781,644	5,664,234
Available-for-sale financial assets	301,518	262,043	563,561
Borrowings			
- non-current	7,486,787	(5,016,001)	2,470,786
- current	1,821,847	(303,084)	1,518,763
Trade and other payables			
- non-current	1,239,024	2,136,042	3,375,066
- current	2,148,688	346,169	2,494,857
Retained earnings	5,404,387	530,601	5,934,988
Other reserves	(67,608)	82,671	15,063

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

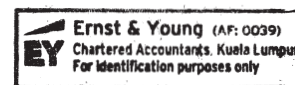
2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)**iii. Pro forma III - After Pro forma II and Proposed Transaction**

Pro forma III takes into account the effects of Proposed Disposal and SLB (collectively referred to as, the "Proposed Transaction") which involves the disposal of 25 aircraft held by the Entities, wholly-owned subsidiaries of AAB held under AACL, through the disposal of the entire equity interests in the Entities and the outright sale of 4 SLB Aircraft.

The "Adjustments to the Disposal Consideration" as indicated in Note 4.5 to the Circular have not been accounted for in this pro forma as the quantum of the adjustments can only be determined upon final disposals of the aircraft. Hence, the date of which could not be determined at this juncture. For the purpose of this pro forma, it is assumed that the Proposed Disposal is completed as at 31 December 2017.

From the Group perspective, the Proposed Disposal is considered a sale of aircraft. Upon completion of the disposal of aircraft, AAB and its affiliate airlines will enter into lease arrangements to lease 25 aircraft and 4 SLB Aircraft from the Entities and the Purchaser, respectively. The Directors have determined that the lease of the aircraft will result in an operating lease arrangement. Pursuant to *MFRS 117: Leases*, this lease arrangements constitutes a sale and leaseback. *MFRS 117* states that if a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss should be recognised immediately. If the sale price is below fair value, any profit or loss should be recognised immediately unless the loss is compensated by future lease payments at below market price, in which case it should be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortised over the period for which the asset is expected to be used. **For the purpose of this pro forma, it is assumed that the sale and the operating lease transactions are at fair value, hence the profit or loss arising from the sale and leaseback transactions are recognised immediately in profit or loss.**

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

iii. Pro forma III - After Pro forma II and Proposed Transaction (Cont'd.)

The pro forma effects of the Proposed Transaction are as follows:

- a) The net carrying amount of the 25 aircraft to be disposed (at disposal consideration of RM3,118.5 million) as at 31 December 2017 is RM2,888.2 million.

Based on tax advice, the disposal of the 25 aircraft would result in the de-recognition of deferred tax assets on ITA. AAB qualifies for ITA claim on new aircraft used for its airline business in Malaysia acquired from 1 July 2009 to 30 June 2014 with further extension of another 5 years to 30 June 2019. This is where deferred tax assets were recognised on unutilised ITA. However, the ITA will be clawed back if disposals happen within 5 years from the date of acquisition. Further, deferred tax liabilities arising from temporary differences between tax written down value and net carrying amount of the aircraft are also required to be reversed. The net effect of the de-recognition of deferred tax assets and reversal of deferred tax liabilities resulted in a net increase in deferred tax assets of RM321.1 million.

	After Pro forma II RM'000	(Decrease)/ increase RM'000	Pro forma III RM'000
Property, plant and equipment	5,401,674	(2,888,185)	2,513,489
Deferred tax assets	1,045,668	321,135	1,366,803

- b) The disposal proceeds will be used to early-settle the Group's borrowings, resulting in reduction of term loan of RM2,151.3million (comprising of RM344.2 million and RM1,807.1 million in current and non-current portion respectively) and to settle borrowings related expenses and expenses attributed to the disposal amounting to RM54.3 million and RM14.2 million, respectively. Further, other reserves will increase by RM27.6 million as a result of the recycling of cash flow hedge from OCI to P/L.

	After Pro forma II RM'000	(Decrease)/ increase RM'000	Pro forma III RM'000
Borrowings			
- non-current	2,470,786	(1,807,141)	663,645
- current	1,518,763	(344,244)	1,174,519
Other reserves	15,063	27,624	42,687

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

iii. Pro forma III - After Pro forma II and Proposed Transaction (Cont'd.)

- c) Additional aircraft maintenance payables of RM304.0 million (comprising RM117.0 million and RM187.0 million in current and non-current portion respectively) would need to be set aside from the disposal consideration to account for aircraft under operating lease where the Group is contractually committed to return the aircraft at the end of the lease term in a certain condition agreed with lessors. Accordingly, the Group would record aircraft maintenance payables comprising aircraft maintenance cost estimated using flight hours and flight cycles. The Group would also receive lease deposits for 2 out of the 4 SLB Aircraft which will be leased to its affiliate airline of RM4.8 million. This resulted in a net increase of RM117.0 million and RM191.8 million in current and non-current trade and other payables, respectively.

For the purpose of securing the operating lease, the Group would pay lease deposits to the Entities and the Purchaser (with reference to the 25 aircraft and 4 SLB Aircraft, respectively), amounting to RM28.1 million and RM7.1 million respectively. This resulted in increase in current receivables and prepayments amounting to RM35.2 million.

The pro forma effects of the above are as follows:

	After Pro forma II RM'000	Increase RM'000	Pro forma III RM'000
Receivables and prepayments - current	1,558,062	35,167	1,593,229
Trade and other payables - current	2,494,857	117,021	2,611,878
- non-current	3,375,066	191,763	3,566,829

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

**AIRASIA GROUP BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2017**

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

iii. Pro forma III - After Pro forma II and Proposed Transaction (Cont'd.)

- d) The net movement in deposits, cash and bank balances of RM891.8 million is the result of:
- (i) Proceeds from the disposal of 25 aircraft totaling RM3,118.5 million;
 - (ii) Net proceeds from the sale and leaseback of 4 SLB Aircraft amounting to RM23.5 million;
 - (iii) Early repayment of borrowings of RM2,151.3 million;
 - (iv) Payment of lease deposits for the lease of 25 aircraft and 4 SLB Aircraft amounting to RM35.2 million;
 - (v) Receipt of lease deposits for 2 SLB Aircraft to be sublease to AirAsia Japan Co. Ltd amounting to RM4.8 million; and
 - (vi) Payments of borrowings related expenses and expenses attributed to the disposal amounting to RM54.3 million RM14.2 million, respectively.

	After Pro forma II RM'000	Increase RM'000	Pro forma III RM'000
Deposits, cash and bank balances	5,664,234	891,762	6,555,996

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd.)

iii. Pro forma III - After Pro forma II and Proposed Transaction (Cont'd.)

- e) The Proposed Transaction resulted in a pro forma gain to the Group as illustrated below:

	RM'000	RM'000
Proceeds from disposal of 25 aircraft		3,118,464
Net proceeds from sale and leaseback of 4 SLB Aircraft		23,545
Less aircraft related expenses:		
- Net carrying amount of disposed 25 aircraft	(2,888,185)	
- Estimated expenses attributed to the disposal	(14,212)	(2,902,397)
Gain on disposal		<u>239,612</u>
Less finance related expenses:		
- Estimated costs related to retirement of borrowings	(54,291)	
- Recognition of additional aircraft maintenance payables	(303,976)	
- Recycling of cash flow hedge liabilities	(27,624)	(385,891)
		<u>(146,279)</u>
Add: Deferred tax implication on the disposal		<u>321,135</u>
Net impact to profit or loss on disposal		<u><u>174,856</u></u>

Movement in the retained earnings is as follows:

	After Pro forma II RM'000	Increase RM'000	Pro forma III RM'000
Retained earnings	<u>5,934,988</u>	<u>174,856</u>	<u>6,109,844</u>

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX 1

AIRASIA GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

3. Effects of adoption of MFRS 16: Leases

On 1 January 2019, MFRS 16 replaced *MFRS 117: Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives* and *IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Subject to the final adoption policy of MFRS 16, based on preliminary assessment using the modified retrospective approach under the standard, the application of MFRS 16 would result in the following:

- (a) In respect of the disposed 82 aircraft and 14 aircraft engines as specified in the Pro Forma II, AAGB and its subsidiaries (excluding associates) leased back 59 aircraft and 11 aircraft engines that would result in the Group recognising right-of-use ("ROU") assets of RM4,194.3 million, lease liability of RM4,225.9 million and a corresponding decrease in retained earnings of RM31.6 million, upon initial adoption of MFRS 16 on 1 January 2019; and
- (b) In respect of the proposed disposal of 25 aircraft and 4 SLB Aircraft as indicated in the Pro Forma III, AAGB and its subsidiaries (excluding associates) would lease back 27 aircraft in which the Group will recognise ROU assets and a corresponding lease liability of approximately RM2,237.4 million had MFRS 16 been effected on 1 January 2019.

The exact financial impact on the Group's statement of financial position on the adoption of MFRS 16 will be determined when the Group completes its assessment.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that after making all reasonable enquiries and, to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement herein misleading.

Information relating to the parties not within our Group has been provided by the relevant parties and/or extracted from publicly available sources, where available. The responsibilities of our Board are therefore restricted to ensuring that such information is accurately reproduced in this Circular.

2. WRITTEN CONSENT AND DECLARATION OF CONFLICT OF INTEREST**(i) RHB Investment Bank**

RHB Investment Bank, being our principal adviser for the Proposed Transaction, has given and has not subsequently withdrawn its written consent to include its name and all references thereto in this Circular in the form and context in which they appear.

Employee Provident Fund ("**EPF**") is a common shareholder of our Company and RHB Bank Berhad (being the holding company of RHB Investment Bank). Nevertheless, EPF is not involved in the day-to-day operations of both our Group and RHB Banking Group (as defined herein).

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad and the subsidiaries and associated companies of its holding company ("**RHB Banking Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, among others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with our Company and/or our persons acting in concert. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or, in addition to the roles set out in this Circular.

Furthermore, in the ordinary course of business, any member of the RHB Banking Group may at any time offer or provide its services to or engage in any transactions (whether on its own account or otherwise) with our Group and/or any other entity or person, hold long or short positions in the securities offered by our Group, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Group.

As at the LPD, RHB Banking Group has offered various facilities with a combined limit of approximately RM592.0 million to our Group, which are in RHB Banking Group's ordinary course of business. Further, as part of the transaction structure of the Proposed Transaction, a debt financing amounting to approximately RM186.5 million provided by RHB Banking Group for one of our Aircraft Assets ("**Debt Financing**") will be retired accordingly.

Notwithstanding the above and as at the LPD, RHB Investment Bank, as part of the RHB Banking Group is not aware of any conflicts of interest which exist or are likely to exist in its capacity as our principal adviser for the Proposed Transaction on the basis that:

- (a) the facilities (including the Debt Financing) were provided on an arm's length basis and when compared to the audited NA of RHB Bank Berhad of approximately RM23.4 billion as at 31 December 2018, the total amount of facilities (including the Debt Financing) is not material;

FURTHER INFORMATION (CONT'D)

- (b) the facilities (including the Debt Financing) have been provided by RHB Bank Berhad, RHB Islamic Bank Berhad (“**RHB Islamic**”) and RHB (L) Ltd (“**RHB Labuan**”) (as part of RHB Banking Group) in the ordinary course of business and are not conditional upon RHB Investment Bank being appointed as the principal adviser for the Proposed Transaction or upon any other proposal(s) being undertaken by any entity(ies) within the RHB Banking Group;
- (c) the appointment of RHB Investment Bank as the principal adviser for the Proposed Transaction is in its ordinary course of business as a licensed investment bank. RHB Investment Bank does not have any interest in the Proposed Transaction other than as a principal adviser based on the terms of engagement which are mutually agreed between both parties. Further, RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to its appointment as the principal adviser for the Proposed Transaction;
- (d) the corporate finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of independent committees to review its business operations. Further, there is no involvement by the corporate finance team of RHB Investment Bank in respect of any credit application process undertaken by other departments within RHB Banking Group;
- (e) RHB Bank Berhad, RHB Islamic and RHB Labuan have their own distinct management teams and employees from that of RHB Investment Bank. In addition, RHB Bank Berhad, RHB Islamic and RHB Labuan have their own check and balances, including segregation of reporting structures, as their respective activities are monitored and reviewed by independent parties and committees. Further, the teams in-charge of the Proposed Transaction in RHB Investment Bank is independent from the team handling the facilities;
- (f) none of our directors is a board member of the RHB Banking Group; and
- (g) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and RHB Banking Group’s own internal controls and checks.

(ii) BNP PARIBAS

BNP PARIBAS, being the Financial Adviser for the Proposed Transaction, has given and has not subsequently withdrawn its written consent to include its name and all references thereto in this Circular in the form and context in which they appear.

BNP PARIBAS has confirmed that it is not aware of any existing or potential interest or any circumstances that exists or is likely to exist that give rise to a possible conflict of interests situation in its capacity as the Financial Adviser for the Proposed Transaction.

BNP PARIBAS is expected to act as one of the acquisition financing banks for the Proposed Transaction, through a working team different from the team acting as the Financial Adviser. BNP PARIBAS group, through a set of rules and procedures (commonly known as “information barriers”), isolates its different departments and entities from one another so as to prevent undue disclosure of confidential information.

FURTHER INFORMATION (CONT'D)

(iii) Messrs Ernst & Young

Messrs Ernst & Young, being our Reporting Accountants for the Proposed Transaction, has given and has not subsequently withdrawn its written consent to include its name, Reporting Accountants' letter on our pro forma consolidated statement of financial position as at 31 December 2017 and all references thereto in this Circular in the form and context in which they appear.

Messrs Ernst & Young has confirmed that it is not aware of any existing or potential interest or any circumstances that exists or is likely to exist that give rise to a possible conflict of interests situation in its capacity as the Reporting Accountants for the Proposed Transaction.

3. MATERIAL COMMITMENTS

Save as disclosed below, as at 31 December 2018, being the latest practicable date of which such amount could be calculated before the printing of this Circular, our Board is not aware of any material commitments incurred or known to be incurred by our Group which may have a material impact on the financial position of our Group:

	As at 31 December 2018
	RM'000
Property, plant and equipment	
- Approved and contracted for	88,640,451
- Approved but not contracted for	26,352
Total	88,666,803

The capital commitments for our Group are in respect of aircraft purchase and the on-going construction of facilities.

4. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities which may become enforceable and in the opinion of our Board will or may substantially affect the liability of our Group to meet our obligations as and when they fall due.

5. MATERIAL CONTRACTS

As at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Entities within two years immediately preceding the date of this Circular.

6. MATERIAL LITIGATION

As at the LPD, neither our Company nor our subsidiaries is presently involved in any material litigation, claims and/or arbitration either as plaintiff or defendant, and our Board is not aware of any proceedings, pending or threatened against our Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

FURTHER INFORMATION (CONT'D)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia during business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) our and the Entities' constitutions;
- (ii) AAB's audited consolidated financial statements for the FYE 31 December 2016 and FYE 31 December 2017;
- (iii) our latest quarterly results for FYE 31 December 2018;
- (iv) our pro forma consolidated statement of financial position as at 31 December 2017 together with the reporting accountants' letter thereon;
- (v) the SPA and the SLB Agreement; and
- (vi) the letters of consent as referred to in Section 2, Appendix V of this Circular.

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AIRASIA GROUP BERHAD

(Company No.: 1244493-V)

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of AirAsia Group Berhad ("**AAGB**" or "**Company**") will be held at CAE Kuala Lumpur Sdn Bhd, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Wednesday, 17 April 2019 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

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

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

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

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

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

By Order of the Board
AIRASIA GROUP BERHAD

JASMINDAR KAUR A/P SARBAN SINGH (MAICSA 7002687)
LAU YEN HOON (MAICSA 7061368)
Company Secretaries
Kuala Lumpur
Malaysia

1 April 2019

Notes:

- (a) Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued share capital, on a first-in-time basis based on the Record of Depositors to be used for the EGM, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the EGM.
- (b) A member must be registered in the Record of Depositors at 5.00 p.m. on 10 April 2019 ("**General Meeting Record of Depositors**") in order to attend and vote at the EGM. A depositor shall not be regarded as a Member entitled to attend the EGM and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the General Meeting Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the EGM.
- (c) A member entitled to attend and vote is entitled to appoint not more than two proxies (or in the case of a corporation, to appoint representative(s) in accordance with Section 333 of the Companies Act, 2016), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- (d) The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (e) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (f) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (g) The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the EGM. **Faxed copies of the duly executed form of proxy are not accepted.**
- (h) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to vote by way of poll.
- (i) By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



AIRASIA GROUP BERHAD

(Company No.: 1244493-V)

(Incorporated in Malaysia)

FORM OF PROXY FOR THE EXTRAORDINARY GENERAL MEETING

I/We _____ NRIC No./Passport No./Co No.: _____ of
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

(ADDRESS)

telephone no. _____ being a member of the Company hereby appoints *chairman of the meeting or
(COMPULSORY)

(FULL NAME IN BLOCK LETTERS) NRIC No./Passport No.: (COMPULSORY)

of _____
(ADDRESS)

and/or _____ NRIC No./Passport No.: _____
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____
(ADDRESS)

as my/our proxy(ies), to vote in my / our name and on my / our behalf at the Extraordinary General Meeting (“**EGM**”) of AirAsia Group Berhad (“**AAGB**” or “**Company**”) to be held at CAE Kuala Lumpur Sdn Bhd, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Wednesday, 17 April 2019 at 10.00 a.m. or any adjournment of such meeting and to vote as indicated below:

ORDINARY BUSINESS	FOR	AGAINST
Proposed disposal by AAGB of 100.0% equity interest each in the Merah Aviation Entities to AS Air Lease Holdings 5T DAC, an entity indirectly controlled by Castlelake, L.P.		

(Please indicate with an “X” in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit.)

* Delete the words “the Chairman of the Meeting or” if you wish to appoint some other person to be your proxy.

No. of shares held:			
CDS Account No.:			
The proportion of my/our holding to be represented by my/our proxies are as follows:		No. of Shares	Percentage
	First Proxy		
	Second Proxy		
Date:			

Signature of Shareholder/Common Seal



Notes:

- (a) Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued share capital, on a first-in-time basis based on the Record of Depositors to be used for the EGM, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the EGM.
- (b) A member must be registered in the Record of Depositors at 5.00 p.m. on 10 April 2019 ("**General Meeting Record of Depositors**") in order to attend and vote at the EGM. A depositor shall not be regarded as a Member entitled to attend the EGM and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the General Meeting Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the EGM.
- (c) A member entitled to attend and vote is entitled to appoint not more than two proxies (or in the case of a corporation, to appoint representative(s) in accordance with Section 333 of the Companies Act, 2016), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- (d) The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (e) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (f) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (g) The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the EGM. **Faxed copies of the duly executed form of proxy are not accepted.**
- (h) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to vote by way of poll.
- (i) By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
AIRASIA GROUP BERHAD (Company No. 1244493-V)

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

1st fold here

