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, bank manager, solicitor, accountant or other professional adviser immediately.

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CAPITAL A BERHAD

(Registration No. 201701030323 (1244493-V))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

I. PROPOSED DISPOSAL BY CAPITAL A BERHAD ("COMPANY") OF ITS 100% EQUITY INTEREST IN AIRASIA AVIATION GROUP LIMITED ("AAAGL") TO AIRASIA X BERHAD ("AAX") FOR A DISPOSAL CONSIDERATION OF RM3,000.0 MILLION TO BE SATISFIED ENTIRELY VIA THE ALLOTMENT AND ISSUANCE OF 2,307,692,307 NEW ORDINARY SHARES IN AAX ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM1.30 EACH ("PROPOSED AAAGL DISPOSAL");

II. PROPOSED DISPOSAL BY THE COMPANY OF ITS 100% EQUITY INTEREST IN AIRASIA BERHAD ("AAB") TO AAX FOR A DISPOSAL CONSIDERATION OF RM3,800.0 MILLION TO BE SATISFIED ENTIRELY VIA THE ASSUMPTION BY AAX OF AN AMOUNT OF RM3,800.0 MILLION OWING BY THE COMPANY TO AAB ("PROPOSED AAB DISPOSAL"); AND

III. PROPOSED DISTRIBUTION BY THE COMPANY OF 1,692,307,692 CONSIDERATION SHARES TO ITS ENTITLED SHAREHOLDERS BY WAY OF A PROPOSED REDUCTION AND REPAYMENT OF THE COMPANY'S ISSUED SHARE CAPITAL PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED DISTRIBUTION")

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER FROM PUBLIC INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

RHB Investment Bank Berhad

(Registration No. 197401002639 (19663-P))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

PUBLIC INVESTMENT BANK BERHAD

(Registration No. 197401002880 (20027-W))

A Participating Organisation Of Bursa Malaysia Securities Berhad

(Wholly-owned Subsidiary Of Public Bank Berhad)

The Proposals will be tabled at the Company's Extraordinary General Meeting ("**EGM**") which will be conducted on a virtual manner through live streaming from the broadcast venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia and online remote voting using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online on Monday, 14 October at 10.00 a.m. The Notice of EGM together with the Form of Proxy are set out in this Circular.

You are entitled to attend and vote at the EGM or appoint proxy(ies) to vote for and on your behalf. In such event, the Form of Proxy should be completed and lodged at the Company's registered office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia or electronically lodged with the poll administrator via TIIH Online website at https://tiih.online not later than 48 hours before the date and time of the EGM or any adjournment thereof. Please refer to the Administrative Note for the EGM on the procedures for electronic lodgement of the Form of Proxy. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so but if you do so, your proxy shall be precluded from attending the EGM.

Last date and time for lodgement of the Form of Proxy	:	Saturday, 12 October at 10.00 a.m.
Date and time of the EGM	:	Monday, 14 October at 10.00 a.m.

This Circular is dated 20 September 2024

DEFINITIONS

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

"AAAGL"	:	AirAsia Aviation Group Limited
"AAAGL Completion"	:	The completion of the sale and purchase of the AAAGL Equity Interest in accordance with the terms of the AAAGL SSPA
"AAAGL Completion Date"	:	The date falling 1 month following the date on or by which all conditions precedent to the AAAGL SSPA have been satisfied, fulfilled and/or waived in accordance with the terms of the AAAGL SSPA other than those conditions precedent that by their nature are to be satisfied on the AAAGL Completion (subject to the satisfaction, fulfilment or waiver of such conditions precedent on the AAAGL Completion) or at such other time as our Company and AAX may mutually agree in writing
"AAAGL Debt Novation"	:	The pre-completion intercompany debt adjustments whereby our Company shall assume AAAGL's debt to AAB of RM2,820.6 million, whereby the debt shall be entirely set off against the AAB Dividend. The details of the aforementioned AAAGL's debt to AAB is set out in Note (a) of Section 3.1 of Part A of this Circular
"AAAGL Disposal Consideration"	:	The disposal consideration for the Proposed AAAGL Disposal of RM3,000.0 million which will be satisfied by way of the Consideration Shares
"AAAGL Equity Interest"	:	The entire 100% equity interest (including any forms of capital contribution and any unissued capital) in AAAGL held by our Company
"AAAGL Group"	:	Collectively, AAAGL and its subsidiaries
"AAAGL SSPA"	:	The conditional share sale and purchase agreement dated 25 April 2024 entered into between our Company and AAG, as supplemented by the AAAGL Supplemental SSPA and AAAGL Second Supplemental SSPA for the Proposed AAAGL Disposal, and includes any amendments, variations and/or supplements thereto from time to time
"AAAGL Supplemental SSPA"	:	The supplemental agreement dated 26 July 2024 to the AAAGL SSPA entered into between our Company, AAX and AAG for the Proposed AAAGL Disposal
"AAAGL Second Supplemental SSPA"	:	The second supplemental agreement dated 4 September 2024 to the AAAGL SSPA entered into between our Company and AAX for the Proposed AAAGL Disposal
"AAB"	:	AirAsia Berhad
"AAB Completion"	:	The completion of the sale and purchase of the AAB Equity Interest in accordance with the terms of the AAB SSPA

"AAB Completion Date"	:	The date falling 1 month following the date on or by which all conditions precedent to the AAB SSPA have been satisfied, fulfilled and/or waived in accordance with the terms of the AAB SSPA other than those conditions precedent that by their nature are to be satisfied on the AAB Completion (subject to the satisfaction, fulfilment or waiver of such conditions precedent on the AAB Completion) or at such other time as our Company and AAX may mutually agree in writing
"AAB Disposal Consideration"	:	The disposal consideration for the Proposed AAB Disposal of RM3,800.0 million which will be satisfied by way assumption by AAX of an amount of RM3,800.0 million owing by our Company to AAB on the AAB Completion Date
"AAB Dividend"	:	Subject to the receipt of the written consent from the relevant lenders/financiers of AAB, the declaration of dividend of RM3,468.6 million by AAB to our Company, which is proposed to be set off pursuant to the AAAGL Debt Novation and existing amount owing by AAAGL to be capitalised by our Company of RM648.0 million
"AAB Equity Interest"	:	The entire 100% equity interest (including any forms of capital contribution and any unissued capital) in AAB held by our Company
"AAB Group"	:	Collectively, AAB and its subsidiaries
"AAB SSPA"	:	The conditional share sale and purchase agreement dated 25 April 2024 entered into between our Company and AAG, as supplemented by the AAB Supplemental SSPA and AAB Second Supplemental SSPA for the Proposed AAB Disposal, and includes any amendments, variations and/or supplements thereto from time to time
"AAB Supplemental SSPA"	:	The supplemental agreement dated 26 July 2024 to the AAB SSPA entered into between our Company, AAX and AAG for the Proposed AAB Disposal
"AAB Second Supplemental SSPA"	:	The second supplemental agreement dated 4 September 2024 to the AAB SSPA entered into between our Company and AAX for the Proposed AAB Disposal
"AACL"	:	Asia Aviation Capital Limited
"AA Com"	:	AA Com Travel Philippines Inc.
"AAG"	:	AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn Bhd)
"AAI"	:	AirAsia Inc.
"AAID"	:	PT AirAsia Indonesia TBK
"AARB1"	:	AirAsia RB1 Ltd
"AAV"	:	Asia Aviation Public Company Limited
"AAX"	:	AirAsia X Berhad
"AAX Group"	:	Collectively, AAX and its subsidiaries

"AAX Placement Shares"	:	The new AAX Shares to be issued pursuant to the AAX Proposed Private Placement
"AAX Proposed Private Placement"	:	The proposed private placement of up to 1,000,000,000 AAX Placement Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.0 million. The quantum of gross proceeds has been determined upfront while the issue price has not been determined in order to provide flexibility to the board of directors of AAX in respect of the pricing of the AAX Placement Shares. The actual number of AAX Shares to be issued will depend on the issue price of the AAX Placement Shares to be determined later. Further information on the AAX Proposed Private Placement is set out in Section 1 of Appendix I of this Circular
"AAX Proposed Post-Completion Options"	:	The proposed granting of AAX Subscription Options to Garynma to subscribe for such number of new AAX Shares representing, in aggregate, 12% of the total enlarged issued shares in AAX as at the AAAGL Completion Date and/or AAB Completion Date, as set out in Appendix I of this Circular
"AAX Shares"	:	Ordinary shares in AAX
"AAX Stake Transfer"	:	The sale and transfer by AAB to our Company of 57,072,850 AAX Shares which represents 12.77% of the issued shares of AAX for RM106.7 million at RM1.87 per AAX Share
"AAX Subscription Options"	:	The rights of Garynma to subscribe for such number of new AAX Shares representing, in aggregate, 12% of the total enlarged issued shares in AAX as at the AAAGL Completion Date and/or AAB Completion Date
"Act"	:	Companies Act 2016
"ADE"	:	Asia Digital Engineering Sdn Bhd
"AirAsia Brand"	:	Intellectual property representing the AirAsia brand
"AirAsia Ecosystem"	:	The flights-travel-and-lifestyle ecosystem under AirAsia MOVE app and MRO services under ADE
"AirAsia MOVE"	:	AirAsia Move Sdn Bhd (formerly known as AirAsia SuperApp Sdn Bhd)
"AirAsia MOVE Group"	:	Collectively, AirAsia MOVE and its subsidiaries
"AOC"	:	Airline operating companies, namely IAA, PAA, TAA, CAA and/or AAB where the context requires
"AOC Holdco"	:	Holding company of the respective AOC
"ASK"	:	Available seat-kilometres
"Aviation MRO"	:	Maintenance, repair and overhaul of aircraft
"BigPay"	:	Big Pay Pte Ltd

"BigPay Group"	:	Collectively, BigPay and its subsidiaries
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of our Company
"Bo Lingam"	:	Tharumalingam A/L Kanagalingam (better known as Bo Lingam)
"Brand AA"	:	Brand AA Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CAA"	:	AirAsia (Cambodia) Co. Ltd.
"CAAM"	:	Civil Aviation Authority of Malaysia
"CAAM Act"	:	Civil Aviation Authority of Malaysia Act 2017, and includes any amendment and re-enactment thereof
"CAPI"	:	Capital A International
"Capital A" or "Company"	:	Capital A Berhad
"Capital A Group" or "Group"	:	Collectively, our Company and our subsidiaries
"Capital A Shares" or "Shares"	:	Ordinary shares in our Company
"CASK"	:	Cost per available seat-kilometres
"Circular"	:	This circular to shareholders dated 20 September 2024 comprising Part A – Letter to our shareholders in relation to the Proposals and Part B – IAL from PIVB to the non-interested shareholders of our Company in relation to the Proposals
"Consideration Shares"	:	2,307,692,307 new AAX Shares to be issued at the Issue Price for the Proposed AAAGL Disposal
"DCAS"	:	Deloitte Corporate Advisory Services Sdn Bhd
"DCF"	:	Discounted cash flow
"Debt Settlement"	:	Mode of settlement of the AAB Disposal Consideration by which AAX will assume our Company's debt due to AAB of RM3,800.0 million on the AAB Completion Date pursuant to the terms of the AAB SSPA
"Directors"	:	The directors of our Company and shall have the meaning given in Section 2(1) of the Act, Section 2(1) of the Capital Markets and Services Act 2007 and Paragraphs 10.02(c)(i) and (ii) of the Listing Requirements
"Distribution Shares"	:	1,692,307,692 Consideration Shares to be distributed to the Entitled Shareholders pursuant to the Proposed Distribution
"EBIT"	:	Earnings before interest and tax

"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"EGM"	:	Extraordinary general meeting
"Entitled Shareholders"	:	Our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on the Entitlement Date
"Entitlement Date"	:	A date to be determined by our Board and announced later by our Company, on which the names of our shareholders must appear in our Record of Depositors as at 5:00 p.m. on that date in order to be entitled to the Proposed Distribution
"EPS"	:	Earnings per Capital A Share
"ESOS"	:	Employee share option scheme pursuant to our LTIS
"ESOS Option Price"	:	The price payable in respect of each new Capital A Share upon the exercise of each ESOS Option by a grantee to subscribe for each new Capital A Share
"ESOS Options"	:	The options granted to selected eligible employees and executive directors of our Group under our ESOS to subscribe for new Capital A Shares, subject to vesting conditions
"EY" or "Reporting Accountants"	:	Messrs Ernst & Young PLT
"FPE"	:	Financial period ended
"FY"	:	Financial year
"FYE"	:	Financial year ended/ending, as the case may be
"Garynma"	:	Garynma Investments Pte Ltd, a special purpose vehicle company, in which Dato' Lim Kian Onn is the ultimate shareholder
"GTRH"	:	Ground Team Red Holdings Sdn Bhd
"KLIA"	:	Kuala Lumpur International Airport
"IAA"	:	PT Indonesia AirAsia
"IAA Perpetual Capital Securities"	:	Outstanding balance of RM1,090,577,013 in perpetual capital securities issued by IAA to AAB to be capitalised by our Company pursuant to the AAAGL Debt Novation
"IAL"	:	The independent advice letter dated 20 September 2024 from PIVB to the non-interested shareholders of our Company in relation to the Proposals, as set out in Part B of this Circular
"IDR"	:	Indonesian Rupiah
"INR"	:	Indian Rupee
"Interested Directors"	:	Collectively, Tan Sri Anthony Francis Fernandes, Datuk Kamarudin bin Meranun and Dato' Fam Lee Ee

"Interested Major Shareholders"	:	Collectively, TLSB, TASB, Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun
"Interpac"	:	Inter-Pacific Securities Sdn Bhd
"IP Assignment Agreement"	:	An intellectual property assignment agreement entered on 27 June 2023 between Capital A and Brand AA for the transfer of the AirAsia Brand from AAB to Brand AA
"Issue Price"	:	Issue price of RM1.30 per Consideration Share
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	30 August 2024, being the latest practicable date prior to the date of this Circular
"LTD"	:	Last trading day prior to the date of the SSPAs, being 24 April 2024
"LTIS"	:	Long term incentive scheme of our Company comprising the ESOS and Share Grant Scheme, which will be in force for a period of 6 years commencing from 2 August 2021 and may be extended for a further period of up to 4 years immediately from the expiry of the first 6 years
"LTIS By-Laws"	:	The by-laws of our Company governing the LTIS
"Major Shareholders"	:	The major shareholders of our Company and shall have the meaning given in Paragraph 10.02(f)(i) of the Listing Requirements
"Market Day"	:	A day on which the stock market of Bursa Securities is open for trading in securities, which may include a Surprise Holiday
"MAVCOM"	:	Malaysian Aviation Commission or its successor-in-title or successor in such capacity
"MAVCOM Act"	:	Malaysian Aviation Commission Act 2015
"MBLA"	:	Master brand licensing agreement dated 31 May 2023 between AAB and AAAGL as supplemented by the IP Assignment Agreement, and as amended, varied and/or supplemented from time to time, whereby AAAGL was granted exclusive rights to use the trade mark and livery of the AirAsia Brand for its aviation related business, including the right to sub-license such rights to its affiliates
"MAU"	:	Monthly active users being the number of unique users who engage with a website or application within the last month
"MOVE Digital"	:	Move Digital Sdn Bhd (formerly known as AirAsia Digital Sdn Bhd)
"MRO"	:	Maintenance, repair and overhaul
"NA/(NL)"	:	Net assets/(Net liabilities)
"NAV"	:	Net asset value
"New Aviation Group"	:	The enlarged aviation group comprising AAX Group, AAAGL Group and AAB Group

"PAA"	:	Philippines AirAsia, Inc.
"PAT/(LAT)"	:	Profit/(Loss) after taxation
"PATAMI/(LATAMI)"	:	Profit/(Loss) after taxation and minority interest
"PBT/(LBT)"	:	Profit/(Loss) before taxation
"PHP"	:	Philippine Peso
"PIVB" or "Independent Adviser"	:	Public Investment Bank Berhad
"PN17"	:	Practice Note 17 of the Listing Requirements
"PN17 Issuer"	:	A listed issuer which triggers any of the prescribed criteria under Paragraph 2.1 of PN17
"Proposals"	:	Collectively, the Proposed Disposals and the Proposed Distribution
"Proposed AAAGL Disposal"	:	Proposed disposal by our Company of our AAAGL Equity Interest to AAX for the AAAGL Disposal Consideration
"Proposed AAB Disposal"	:	Proposed disposal by our Company of our AAB Equity Interest to AAX for the AAB Disposal Consideration
"Proposed Disposals"	:	Collectively, the Proposed AAAGL Disposal and Proposed AAB Disposal
"Proposed Distribution"	:	Proposed distribution of the Distribution Shares to the Entitled Shareholders based on their respective shareholdings in our Company on the Entitlement Date by way of a reduction and repayment of our Company's issued share capital pursuant to Section 116 of the Act
"Proposed Pre-Completion Restructuring"	:	Collectively, the AAAGL Debt Novation, the AAB Dividend and the AAX Stake Transfer
"RCUIDS"	:	Redeemable convertible unsecured Islamic debt securities 2021/2028 in our Company
"RCUIDS Trust Deed"	:	The trust deed dated 18 November 2021 between our Company and Malaysian Trustees Berhad, which constitutes the RCUIDS
"RCUIDS Conversion Price"	:	RM0.75, equivalent to the nominal value of the RCUIDS of RM0.75 for 1 new Capital A Share, or such adjusted price as may be for the time being applicable in accordance with the RCUIDS Trust Deed
"RCUIDS Conversion Ratio"	:	The right of the RCUIDS Holders to surrender the nominal value of the RCUIDS of RM0.75 for conversion into new Capital A Shares at any time during the conversion period of the RCUIDS at the RCUIDS Conversion Price, in accordance with the RCUIDS Trust Deed
"RHB Investment Bank" or the "Principal Adviser"	:	RHB Investment Bank Berhad
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively

"RPK"	:	Revenue passenger-kilometres
"Santan"	:	Santan Restaurant Sdn Bhd
"SGD"	:	Singapore Dollar
"Share Grant Award"	:	The grant of Capital A Shares to selected eligible employees and executive directors of our Group under our ESOS to subscribe for new Capital A Shares, subject to vesting conditions
"Share Grant Scheme"	:	Share grant scheme pursuant to our LTIS
"SBLA"	:	The brand sub-licensing agreements entered into between AAAGL and the following parties:- (a) AAV and TAA on 31 May 2023; (b) AAID and IAA on 15 June 2023; (c) AAI and PAA on 15 June 2023; (d) AAB on 27 June 2023; (e) CAA on 16 April 2024; and (f) TAAX on 10 July 2024, whereby in consideration of sub-license royalty fee of 1.2% of all the revenue (including fares and ancillary income) of the AOC and TAAX, AAAGL grants to the AOC Holdco and the AOC as well as TAAX, as the case may be, the exclusive right for the AOC and TAAX to reproduce and use the AirAsia Brand in relation to the AOC's and TAAX's aviation related business in accordance to the terms and conditions of the respective SBLA
"SSPAs"	:	Collectively, the AAAGL SSPA and AAB SSPA
"Surprise Holiday"	:	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
"TAA"	:	Thai AirAsia Co. Ltd
"TAAX"	:	Thai AirAsia X Co. Ltd
"TASB"	:	Tune Air Sdn Bhd
"Teleport"	:	Teleport Everywhere Pte Ltd
"Teleport Group"	:	Collectively, Teleport and its subsidiaries
"TGSB"	:	Tune Group Sdn Bhd
"THB"	:	Thai Baht
"TLSB"	:	Tune Live Sdn Bhd

"Unique user"	:	A user who has visited a website or application at least once over a given period of time
"USD"	:	United States Dollar
"Valuation Letter"	:	The valuation letter dated 25 July 2024 issued by DCAS
"VWAP"	:	Volume weighted average market price
"WACC"	:	Weighted average cost of capital
"Warrants"	:	Warrants 2021/2028 in our Company
"Warrants Deed Poll"	:	The deed poll dated 18 November 2021 which constitutes the Warrants
"Warrants Exercise Price"	:	RM1.00 payable in respect of each new Capital A Share upon the exercise of each Warrant by a Warrant holder to subscribe for each new Capital A Share, or such adjusted price as may be for the time being applicable in accordance with the Warrants Deed Poll

References to "our Company" in this Circular are to Capital A and references to "our Group" are to our Company and our subsidiaries. References to "we", "us", "our" and "ourselves" in this Circular are to our Company and where the context otherwise requires, shall include our subsidiaries. All references to "you" in this Circular are to our shareholders.

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

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

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date respectively, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by our Company, such as in its quarterly results or annual reports, is due to rounding differences.

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 (save for the Interested Directors) after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company's and/or our Group's plans and objectives will be achieved.

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PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

This Executive Summary highlights only the salient information of the Proposals as set out in Part A of this Circular. You are advised to read and carefully consider the contents of this Circular and the appendices contained herein in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the forthcoming EGM.

Salient information	**Description**	**Reference to Circular**
Summary of the Proposals	(i) Proposed disposal by our Company of our AAAGL Equity Interest to AAX, for a disposal consideration of RM3,000.0 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 new AAX Shares at an issue price of RM1.30 each; (ii) Proposed disposal by our Company of our AAB Equity Interest to AAX, for a disposal consideration of RM3,800.0 million to be satisfied entirely via the assumption by AAX of an amount of RM3,800.0 million owing by the Company to AAB; and (iii) Proposed distribution of 1,692,307,692 Consideration Shares to the Entitled Shareholders by way of a proposed reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act.	Sections 1 to 5 of Part A of this Circular
Basis of and justification for arriving at the AAAGL Disposal Consideration	The AAAGL Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following: (a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and (b) AAAGL Disposal Consideration is within the AAAGL Valuation Range of USD628.0 million to USD805.0 million (equivalent to approximately RM2,880.0 million to RM3,691.0 million) as at 31 December 2023 as appraised by DCAS.	Section 2.2 of Part A of this Circular

Salient information	Description	Reference to Circular
Basis and justification in determining the issue price of the Consideration Shares	The Issue Price of RM1.30 per Consideration Share is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date prior to the date of our Company's announcement on the Proposals dated 25 April 2024. The Issue Price is deemed justified after considering the following: (a) The Issue Price represents a discount of approximately 3.70%, 15.03% and 29.35% to the 1-month VWAP, 3-month VWAP and 6-month VWAP of the AAX Shares up to and including 15 April 2024, respectively; and (b) The Issue Price represents a discount of approximately 0.76% to the closing price of the AAX Shares as at the LPD of RM1.31 and a discount of approximately 1.52% to the 5-day VWAP of AAX Shares up to and including the LPD of RM1.32.	Section 2.3 of Part A of this Circular
Basis of and justification for arriving at the AAB Disposal Consideration	The AAB Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following: (a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and (b) AAB Disposal Consideration is within the AAB Valuation Range of between RM3,721.0 million to RM4,602.0 million as at 31 December 2023 as appraised by DCAS.	Section 3.2 of Part A of this Circular
Rationale and benefits of the Proposals	<u>Proposed Disposals</u> • The Proposed Disposals are intended to be undertaken by our Company to streamline our Group's core business activities to focus on aviation services, logistics, digital and brand management businesses which are essential and complementary to the passenger airlines business. • The Entitled Shareholders will be able to continue participating in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.	Section 6 of Part A of this Circular

Salient information	Description	Reference to Circular
	• The Proposed Disposals are expected to result in greater clarity of investment between our Company and AAX which would facilitate business-centric valuation of the separate entities. • Our Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and is thereby expected to improve the shareholders' equity of our Group in our effort to regularise our financial conditions. <u>Proposed Distribution</u> The Proposed Distribution to be undertaken in conjunction with the Proposed AAAGL Disposal is intended to: • reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX, while allowing clarity of investment in two distinct entities with different business activities, namely aviation businesses and aviation services, logistics, digital and brand management businesses; and • enable the Entitled Shareholders to potentially benefit directly from the future performance of AAX.	
Risk factors	<u>Risk factors of the Proposals:</u> (a) Non-completion of the Proposals; (b) Contractual risk; (c) Capital market risk; (d) Lower gains arising from the Proposed AAAGL Disposal; (e) Loss of contribution from AAAGL Group and AAB Group; (f) Risk of AAX falling back into PN17 status; and (g) Dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options.	Section 9 of Part A of this Circular

Salient information	Description	Reference to Circular
Approvals required/obtained	The Proposals are subject to the following approvals and consents of the following persons being obtained: (i) at least 75% of the total number of issued shares held by the non-interested shareholders of our Company present and voting either in person or by proxy at the EGM to be convened for the Proposals; (ii) at least 75% of the non-interested holders of the RCUIDS at a RCUIDS holders meeting to be convened for the Proposals; (iii) the sealed order of the High Court of Malaya pursuant to Section 116 of the Act for the reduction in issued share capital pursuant to the Proposed Distribution; (iv) government entity, lenders/financiers or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAAGL Group or AAB Group for the Proposed Pre-Completion Restructuring and/or the Proposals, as set out in Section 11 of Part A of this Circular; (v) the non-interested shareholders of AAX at an EGM for the acquisition of AAAGL Equity Interest and AAB Equity Interest pursuant to the Proposed Disposals as well as for AAX Proposed Private Placement; (vi) government entity, lenders/financiers or any third party, as may be necessary, being obtained by AAX or its subsidiaries for the Proposals, as set out in Section 11 of Part A of this Circular; (vii) Bursa Securities for the listing and quotation of the Consideration Shares and new AAX Shares to be issued pursuant to AAX Proposed Private Placement on the Main Market of Bursa Securities; and (viii) any other relevant authorities and/or parties, if required.	Section 11 of Part A of this Circular

Salient information	Description	Reference to Circular
Conditionality of the Proposals	The Proposed AAAGL Disposal and Proposed Distribution are inter-conditional upon each other. The Proposed AAAGL Disposal and Proposed AAB Disposal are not inter-conditional upon each other. Save for the above, there are no other conditionality in respect of the Proposals. The Proposals are not conditional upon any other proposal undertaken or being undertaken by our Company.	Section 11 of Part A of this Circular
Interests of Directors, Major Shareholders and/or persons connected	Save as disclosed below, none of the Directors and major shareholders of our Company, and/or persons connected with them have any interests, direct and/or indirect, in the Proposals: (a) Tan Sri Anthony Francis Fernandes, the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB; (b) Datuk Kamarudin bin Meranun, the Non-Independent Executive Chairman and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a Non-Independent Executive Director and major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB; (c) Dato' Fam Lee Ee, the Senior Independent Non-Executive Director of our Company, is deemed interested in the Proposals by virtue of him being the Non-Independent Non-Executive Chairman of AAX; (d) TLSB, a major shareholder of our Company, is deemed interested in the Proposals as TLSB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TLSB; and (e) TASB, a major shareholder of our Company, is deemed interested in the Proposals as TASB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TASB.	Section 12 of Part A of this Circular

Salient information	Description	Reference to Circular
Audit Committee's statement	Our Audit Committee, having considered all aspects of the Proposals, including the salient terms of the SSPAs, rationale of the Proposals, basis and justification for arriving at the AAAGL Disposal Consideration and AAB Disposal Consideration, effects of the Proposals, as well as the preliminary evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are: (a) in the best interest of our Company; (b) fair, reasonable and on normal commercial terms; and (c) not detrimental to the interest of the minority shareholders of our Company.	Section 15 of Part A of this Circular
Directors' statement and recommendation	Our Board (save for the Interested Directors), after having considered all aspects of the Proposals, including the salient terms of the AAAGL SSPA and AAB SSPA, rationale and benefits of the Proposals, as well as the evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are in the best interest of our Company. Accordingly, our Board (save for the Interested Directors) recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.	Section 16 of Part A of this Circular

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CAPITAL A BERHAD
(Registration No. 201701030323 (1244493-V))
(Incorporated in Malaysia)

Registered Office

RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur
64000 KLIA
Selangor Darul Ehsan
Malaysia

20 September 2024

Board of Directors

Datuk Kamarudin bin Meranun (*Non-Independent Executive Chairman*)
Tan Sri Anthony Francis Fernandes (*Non-Independent Executive Director and Chief Executive Officer*)
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar (*Non-Independent Non-Executive Director*)
Dato' Fam Lee Ee (*Senior Independent Non-Executive Director*)
Dato' Mohamed Khadar bin Merican (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

I. PROPOSED AAAGL DISPOSAL;

II. PROPOSED AAB DISPOSAL; AND

III. PROPOSED DISTRIBUTION

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1. INTRODUCTION

On 8 January 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into a non-binding letter of offer with AAX for the proposed disposal by our Company of our entire equity interest in AAAGL and AAB for a disposal consideration to be agreed upon by our Company and AAX at a later date.

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

On 25 April 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company proposes to undertake the following corporate proposals:

(i) our Company had on 25 April 2024 entered into the following:

(a) the AAAGL SSPA in respect of the proposed disposal of our AAAGL Equity Interest to AAG for the AAAGL Disposal Consideration to be satisfied in the manner as set out in Section 2.1 of Part A of this Circular; and

(b) the AAB SSPA in respect of the proposed disposal of our AAB Equity Interest to AAG for the AAB Disposal Consideration to be satisfied in the manner as set out in Section 3.1 of Part A of this Circular.

(ii) the proposed distribution of the Distribution Shares to the Entitled Shareholders based on their respective shareholdings in our Company by way of a reduction and repayment of our Company's issued share capital pursuant to Section 116 of the Act. The Proposed Distribution will be undertaken as part of the AAAGL Completion.

Prior to the completion of the Proposed Disposals, our Group will undertake the Proposed Pre-Completion Restructuring comprising the following:

(a) the sale and transfer by AAB to our Company of 57,072,850 AAX Shares owned by AAB which represents 12.77% of the issued shares of AAX for RM106.7 million or RM1.87 per AAX Share which is the last closing price of AAX Shares as at 31 December 2023, being the valuation date adopted by DCAS for the valuation of the AAB Target Entities. The AAX Stake Transfer is intended to be undertaken by our Company to avoid AAX as the purchaser of the AAB Equity Interest to hold its own shares;

(b) our Company shall assume AAAGL's debt to AAB of RM2,820.6 million pursuant to the AAAGL Debt Novation, to streamline and organise the AAAGL and AAB intercompany debt between them for clarity of valuation of AAAGL and AAB individually; and

(c) subject to the receipt of the written consent from the relevant lenders/financiers of AAB, AAB shall declare a dividend of RM3,468.6 million to our Company, which is proposed to set off the aforesaid AAAGL Debt Novation and existing amount owing by AAAGL to be capitalised by our Company of RM648.0 million, to settle the amount owing by our Company to AAB. For the avoidance of doubt, in the event the written consent from the relevant lenders/financiers of AAB for the proposed declaration of dividend by AAB is not obtained, the Proposed AAB Disposal will not be completed.

On 26 July 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into the AAAGL Supplemental SSPA and AAB Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Supplemental SSPA and AAB Supplemental SSPA, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Disposal and Proposed AAB Disposal respectively, with effect from 26 July 2024.

On 4 September 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA, our Company shall, before the AAAGL Completion Date and AAB Completion Date, obtain the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding AAAGL Group and AAB Group) in favour of lenders/financiers of the AAAGL Group and AAB Group.

The salient terms of the AAAGL SSPA and AAB SSPA as amended by the AAAGL Supplemental SSPA, AAAGL Second Supplemental SSPA, AAB Supplemental SSPA and AAB Second Supplemental SSPA respectively, are set out in Appendix IV and V of this Circular.

The Proposals are regarded as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements due to the interest of the Interested Major Shareholders and Interested Directors of our Company as set out in Section 12 of Part A of this Circular.

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

In view of the above, our Company has appointed PIVB to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of our Company on the fairness and reasonableness of the Proposals, and whether the Proposals are detrimental to the non-interested shareholders of our Company.

Our Company is classified as a PN17 Issuer. As such, pursuant to Paragraph 5 of PN17, our Company has an obligation to regularise our financial condition and is required to, amongst others, submit a regularisation plan to the regulatory authorities and to announce the details of the regularisation plan including those set out in Paragraph 4.2 of PN17. Accordingly, our Company will make a requisite announcement on the regularisation plan upon its finalisation.

Further details of the Proposals are set out in Part A of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE RECOMMENDATION OF THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSALS AS SET OUT IN THE IAL IN PART B OF THIS CIRCULAR AND THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED AAAGL DISPOSAL

The Proposed AAAGL Disposal entails the disposal by our Company of our AAAGL Equity Interest to AAX for the AAAGL Disposal Consideration subject to the terms of the AAAGL SSPA, the salient terms of which are set out in Appendix IV of this Circular.

Pursuant to the terms of the AAAGL SSPA, our Company has agreed to sell and AAX has agreed to purchase the AAAGL Equity Interest free from claims, liens, charges and encumbrances and together with all rights and advantages attaching to them as at the AAAGL Completion, including the right to receive all dividends or distributions declared, made or paid on or after the AAAGL Completion Date.

Please refer to Appendix II of this Circular for further information on AAAGL.

2.1 Mode of settlement of the AAAGL Disposal Consideration

Subject to the requisite approvals being obtained, the AAAGL Disposal Consideration shall be satisfied by AAX, in the following manner:

(a) 1,692,307,692 new AAX Shares, representing 73.33% of the total Consideration Shares which shall, on the Entitlement Date, be allotted and issued directly by AAX to the Entitled Shareholders pursuant to the Proposed Distribution on the AAAGL Completion Date; and

(b) the remaining 615,384,615 new AAX Shares, representing 26.67% of the total Consideration Shares shall be allotted and issued to our Company on the AAAGL Completion Date, and such Consideration Shares will be retained by our Company.

Our Company and the persons acting in concert with us ("**Capital A and its PACs**") have executed an undertaking letter, whereby in the event that Capital A and its PACs are likely to increase their shareholdings above 33% of the total issued share capital of AAX at any given time throughout the Proposals and/or AAX's Proposed Corporate Exercises (as defined in Section 1 of Appendix I of this Circular), (with particular regard to after the AAX Proposed Private Placement), Capital A and its PACs undertake to dispose their shares in our Company and/or AAX before the completion of the AAX Proposed Private Placement and/or Proposed Distribution such that Capital A and its PACs will collectively hold less than 33% of the total issued shares in AAX. Accordingly, the implementation of the Proposed AAAGL Disposal is not expected to give rise to any mandatory take-over offer obligation by our Company under the Malaysian Code on Take-Overs and Mergers, 2016 and the Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC.

For information purposes, our Company's PACs and their respective shareholdings in our Company and AAX as at the LPD are as follows:

	Shareholdings in our Company		**Shareholdings in AAX**	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Tan Sri Anthony Francis Fernandes	2,000,000	0.05	11,158,722	2.50
Datuk Kamarudin bin Meranun	2,000,000	0.05	37,070,993	8.29
TLSB [(1)]	509,000,000	11.82	-	-
TASB [(1)]	516,485,082	11.99	-	-
TGSB [(1)]	-	-	73,960,286	16.54
AAB	-	-	57,072,850	12.77

Notes:

(1) Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are directors and controlling shareholders of TLSB, TASB and TGSB.

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

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

(a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and

(b) the range of valuation for the AAAGL Equity Interest based on the adjusted NAV of AAAGL of USD628.0 million to USD805.0 million (equivalent to approximately RM2,880.0 million to RM3,691.0 million) ("**AAAGL Valuation Range**") as at 31 December 2023 based on an independent valuation conducted by DCAS, the independent valuer appointed by our Company, in its Valuation Letter.

In arriving at the valuation for the AAAGL Equity Interest (and AAAGL being an investment holding company), the audited NAV of AAAGL as at 31 December 2023 of USD183 million had been adjusted to arrive at the AAAGL Valuation Range as set out below:

		Low range USD'million	High range USD'million
Audited NAV of AAAGL as at 31 December 2023		183	183
Adjustments			
Add:	Uplift in fair value of investment in subsidiaries (i)	(61)	116
Add:	Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A (ii)	505	505
Less:	Cost of investment incurred for the acquisition of 100% equity interest in AA Com from Capital A, which was completed in March 2024	- (represents USD0.2 million)	- (represents USD0.2 million)
AAAGL Valuation Range		**628**	**805**
AAAGL Valuation Range (in RM'million)		**2,880**	**3,691**

Notes:

(i) The adjustments are mainly attributable to the fair value uplift of investments in the subsidiaries including the AOC Holdco namely, AAV, AAI, AA Com and AAID are based on the equity value of the respective AOCs as appraised by DCAS after deducting the audited book value of AAAGL's investments in subsidiaries as at 31 December 2023.

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

Valuation of the AOCs and their respective AOC Holdco

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

Upliftment in fair value of AAAGL's investments

AAAGL's investments	***Range of equity value based on equity interest held by AAAGL***	
	Low range	***High range***
	USD'million	***USD'million***
- *20.95% equity interest in IAA*	*9*	*18*
- *40.71% equity interest in AAV*	*285*	*358*
- *100.00% equity interest in AA Com*	*116*	*166*
- *40.00% equity interest in AAI*	*88*	*121*
- *Investment in convertible bond issued by AAI* (i)	*25*	*25*
- *46.25% equity interest in AAID*	*10*	*22*
Total	***533***	***710***
Less: Carrying amount of AAAGL's investments as at 31 December 2023 (ii)	*(594)*	*(594)*
Upliftment in fair value of AAAGL's investments	***(61)***	***116***

Sub-notes:

(a) *In May 2013, AAI issued USD25 million in redeemable, unsecured convertible bonds to AAAGL at an interest rate of 6% per annum.*

(b) *The carrying amount of AAAGL's investments have been adjusted to reflect the novation of the IAA Perpetual Capital Securities from AAB to AAAGL, to be completed prior to the Proposals. As at 31 December 2023, the outstanding balance of the IAA Perpetual Capital Securities amounted to approximately RM1,091 million.*

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

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

The basis and criteria for the low range and high range in arriving at the valuation of AAAGL and its AOCs is based on the range of discount rates adopted for each AOC as set out in the table illustrating the summary of the key bases and assumptions used by DCAS in the DCF method in the following page.

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The summary of the key bases and assumptions used by DCAS in the DCF method is as follows:

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

	TAA		**PAA**		**IAA**	
Revenue	• *Passenger revenues are expected to contribute approximately 99.0% of the total projected revenue between FY2024 and FY2028* • *Freight services revenue is expected to contribute approximately 1.0% of the total projected revenue between FY2024 and FY2028* • *Total revenue is expected to grow at a CAGR of approximately 11.0% between FY2024 and FY2028*		• *Passenger revenues are expected to contribute approximately 99.0% of the total projected revenue between FY2024 and FY2028* • *Freight services revenue is expected to contribute approximately 1.0% of the total projected revenue between FY2024 and FY2028* • *Total revenue is expected to grow at a CAGR of approximately 15.0% between FY2024 and FY2028*		• *Passenger revenues are expected to contribute approximately 98.0% of the total projected revenue between FY2024 and FY2028* • *Freight services revenue is expected to contribute approximately 2.0% of the total projected revenue between FY2024 and FY2028* • *Total revenue is expected to grow at a CAGR of approximately 21.0% between FY2024 and FY2028*	
Others	• *Unutilised tax losses are expected to be utilised and offset against TAA's projected EBIT between FY2024 and FY2027* • *Tax expenses are assumed from FY2028 onwards at Thailand's statutory tax rate of 20.0%* • *Capital expenditure for non-aircraft operating assets is projected at 0.2% of the total projected revenue between FY2024 and FY2028* • *Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 1.0%* [(iii)]		• *Unutilised tax losses are expected to be utilised and offset against PAA's projected EBIT between FY2024 and FY2025* • *Tax expenses are assumed from FY2026 onwards at Philippine's statutory tax rate of 25.0%* • *Capital expenditure for non-aircraft operating assets is projected at 2.0% of the total projected revenue between FY2024 and FY2028* • *Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 3.0%* [(iii)]		• *Unutilised tax losses are expected to be utilised and offset against IAA's projected EBIT between FY2024 and FY2027* • *Tax expenses are assumed from FY2028 onwards at Indonesia's statutory tax rate of 22.0%* • *Capital expenditure for non-aircraft operating assets is projected at 1.0% of the total projected revenue between FY2024 and FY2028* • *Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 3.0%* [(iii)]	
Discount rates *	***Low range***	***High range***	***Low range***	***High range***	***Low range***	***High range***
	14.5%	*12.0%*	*19.0%*	*17.0%*	*19.0%*	*17.5%*

Note:

* *The discount rates adopted have been developed based on the WACC, which includes the following additional risk premiums:*

(a) *Size premium, which represents the additional risks assumed by investors for investing in small firms, where applicable; and*

(b) *Company-specific risk premium, which represents a risk premium attributable to the specific companies of TAA, PAA and IAA.*

(ii) The capitalisation of the amount owing by AAAGL to our Company amounting to USD505 million is attributable to the following:

(A) capitalisation due to the assignment of intercompany debt due to AAB by IAA, to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD126 million (equivalent to approximately RM580 million);

(B) capitalisation due to the novation of the IAA Perpetual Capital Securities from AAB to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD238 million (equivalent to approximately RM1,091 million); and

(C) capitalisation of the intercompany debt due to our Company and AAB by AAAGL, amounting to approximately USD141 million (equivalent to approximately RM648 million).

The capitalisation of the amount owing by AAAGL to our Company is undertaken as a waiver of AAAGL debts by our Company.

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

After extensive negotiation with AAX, our Company and AAX have determined the AAAGL Disposal Consideration to be at RM3,000.0 million, after taking into consideration the following factors:

(a) the recovery phase of the aviation industry;

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

(c) our Company and our shareholders' continued exposure in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.

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

(i) the AAAGL Disposal Consideration of RM3,000.0 million is within the AAAGL Valuation Range of RM2,880.0 million to RM3,691.0 million;

(ii) the effects of the Proposed AAAGL Disposal which is expected to result in an improvement in the consolidated NA of our Company as set out in Section 10.2 of Part A of this Circular; and

(iii) the expected gain arising from the remeasurement of the remaining interest in AAAGL pursuant to the Proposed AAAGL Disposal as detailed in Section 2.9 of Part A of this Circular.

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

The Issue Price of RM1.30 per Consideration Share is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date used to finalise the negotiation on the issue price of the Consideration Shares prior to the date of signing of the SSPAs and our Company's announcement on the Proposals dated 25 April 2024.

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

	Share price	Premium / (Discount)	
	RM	RM	%
Last transacted price of AAX Shares on 15 April 2024	1.30	-	-
5-day VWAP of AAX Shares up to and including 15 April 2024	1.30	-	-
1-month VWAP of AAX Shares up to and including 15 April 2024	1.35	(0.05)	(3.70)
3-month VWAP of AAX Shares up to and including 15 April 2024	1.53	(0.23)	(15.03)
6-month VWAP of AAX Shares up to and including 15 April 2024	1.84	(0.54)	(29.35)

(Source: Bloomberg)

For information purposes, the Issue Price represents the following:-

(i) a premium of approximately 4.84% over the closing price of AAX Shares as at the LTD of RM1.24 and a premium of approximately 7.44% over the 5-day VWAP of AAX Shares up to and including the LTD of RM1.21. Nevertheless, when the Issue Price is compared to AAX's traded price over a longer period of time, it represents a discount of approximately 11.56% and 26.97% based on the 3-month VWAP and 6-month VWAP of the AAX Shares up to and including the LTD of RM1.47 and RM1.78, respectively; and

(ii) a discount of approximately 0.76% to the closing price of AAX Shares as at the LPD of RM1.31 and a discount of approximately 1.52% to the 5-day VWAP of AAX Shares up to and including the LPD of RM1.32.

The Issue Price is deemed justified after considering the following:-

(a) The Issue Price represents a discount of approximately 3.70%, 15.03% and 29.35% to the 1-month VWAP, 3-month VWAP and 6-month VWAP of the AAX Shares up to and including 15 April 2024, respectively; and

(b) The Issue Price represents a discount of approximately 0.76% to the closing price of the AAX Shares as at the LPD of RM1.31 and a discount of approximately 1.52% to the 5-day VWAP of AAX Shares up to and including the LPD of RM1.32.

2.4 Ranking of the Consideration Shares

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

2.5 Listing and quotation of the Consideration Shares

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

2.6 Salient terms of the AAAGL SSPA

Please refer to Appendix IV of this Circular for the salient terms of the AAAGL SSPA.

2.7 Liabilities which will remain with our Company

There are no liabilities, including contingent liabilities and guarantees, in relation to AAAGL which will remain with our Company after the completion of the AAAGL SSPA. For the avoidance of doubt, in the event the approval and/or consent for the release and/or discharge of all the corporate guarantee and/or security provided by our Group in favour of certain lenders/financiers of AAAGL Group pursuant to the condition precedent under the AAAGL SSPA (as set out in Paragraph 3.1(iii)(f) of Appendix IV of this Circular) are not obtained, the Proposed AAAGL Disposal will not be completed.

For information purpose, our Group has not provided any guarantees to AAX Group.

2.8 Amount owing to our Group (excluding AAAGL Group and AAB Group)

As at 31 December 2023, AAAGL Group has non-trade amount owing to our Group of RM54.8 million which mainly comprise advances made by our Company and other subsidiaries to AAAGL Group. Any non-trade amount owing between the AAAGL Group and our Group on the AAAGL Completion Date shall be fully settled in cash within 1 year from the AAAGL Completion. For the avoidance of doubt, the aforesaid non-trade amount owing from AAAGL Group shall be payable in cash instead of capitalised into capital contribution as our Company is of the view that the inflow of cash repayment would be beneficial to our Group's cash flows. The repayment term of 1 year from the AAAGL Completion was provided to AAAGL Group after a series of negotiations with AAX to provide AAAGL Group time to undergo the recovery phase of the aviation industry and to allow an interim period for AAAGL Group to strengthen its cash flows after the completion of the Proposed AAAGL Disposal.

The non-trade amount owing by AAAGL Group to our Group on the AAAGL Completion Date is estimated to be approximately RM96.2 million.

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

Based on our Company's audited consolidated financial statements for the FYE 31 December 2023, the Proposed AAAGL Disposal is expected to result in a pro forma gain arising from the remeasurement of the remaining interest in AAAGL upon AAAGL Completion of approximately RM3,605.9 million. The details of the pro forma gain arising from the Proposed AAAGL Disposal is set out below:

		RM'million
Fair value of AAAGL Disposal Consideration (1)		3,046.15
Add:	Net liabilities of AAAGL Group as at 31 December 2023 after the effects of the Proposed Pre-Completion Restructuring (2)	2,808.68
Less:	Derecognition of goodwill in AAAGL in our Company	(7.33)
Less:	Transaction costs for the Proposed AAAGL Disposal	(7.76)
Less:	Distribution to shareholders (3)	(2,233.84)
Pro forma gain arising from the remeasurement of the remaining interest in AAAGL		**3,605.90**

Notes:

(1) For the purpose of illustration in the pro forma effects above, the fair value of the Consideration Shares was illustrated at approximately RM3,046.15 million which was based on the issue price of each Consideration Share of RM1.32, being the 5-day VWAP of AAX Shares up to and including the LPD.

(2) The adjusted net liabilities of AAAGL Group after incorporating the effects of the Proposed Pre-Completion Restructuring are as follows:

	RM'million
Net liabilities of AAAGL Group as at 31 December 2023 (as per the Reporting Accountants' Report on the consolidated financial statements of AAAGL)	*(5,187.04)*
Add: Net assets adjustments arising from acquisition of AA Com Philippines	*0.36*
Adjustments relating to the Proposed Pre-Completion Restructuring:-	
- Capital contribution from Capital A pursuant to the following:	
(i) the AAAGL Debt Novation; and	*2,820.58*
(ii) existing amount owing to AAB and Capital A	*648.00*
- Elimination of IAA Perpetual Capital Securities	*(1,090.58)*
Net liabilities of AAAGL Group as at 31 December 2023 after incorporating effects of Proposed Pre-Completion Restructuring	***(2,808.68)***

Save for the AAAGL Debt Novation, none of the net liabilities of AAAGL Group shall be novated to Capital A. For clarity, the adjusted net liabilities is added into the computation of the pro forma gain as AAAGL Group is in a net liabilities position instead of net assets.

(3) For the purpose of illustration in the pro forma effects above, the value of the Distribution Shares pursuant to the Proposed Distribution was illustrated based on the market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares up to and including the LPD.

The actual gain on remeasurement of the remaining interest in AAAGL arising from the Proposed AAAGL Disposal can only be ascertained upon the AAAGL Completion Date based on the realisation of net liabilities of AAAGL as well as the market price of AAX Shares on the Entitlement Date and on the AAAGL Completion Date. In the event that the market price of AAX Shares falls below RM1.30 (being the Issue Price) on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal. On the contrary, should the market price of AAX Shares trade above RM1.30 on the AAAGL Completion Date, the net increase in value would contribute to an increased gain arising from the Proposed AAAGL Disposal. As such, the gain on disposal as at the actual AAAGL Completion Date could be materially different from the illustrated expected pro forma gain arising from the remeasurement of remaining interest in AAAGL above and they should not be taken to represent the final gain on disposal.

2.10 Date and original cost of investment

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

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

3. PROPOSED AAB DISPOSAL

The Proposed AAB Disposal entails the disposal by our Company of our AAB Equity Interest to AAX for the AAB Disposal Consideration subject to the terms of the AAB SSPA, the salient terms of which are set out in Appendix V of this Circular.

Pursuant to the terms of the AAB SSPA, our Company has agreed to sell and AAX has agreed to purchase the AAB Equity Interest free from encumbrances (save as disclosed in our Company's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at the AAB Completion, including the right to receive all dividends or distributions declared, made or paid on or after the AAB Completion Date.

Note:

*(1) On 21 August 2024, AARB1, AAB's wholly-owned subsidiary, entered into definitive agreements with aircraft lessors and private credit funds for the issuance by AARB1, of Regulation S secured bonds of up to USD443.0 million, due September 2026 and August 2028, with AAB as a third party security provider, and both AAB and our Company as corporate guarantors ("**Revenue Bond**"). BNM has vide its letters dated 26 March 2024 and 4 July 2024 approved the issuance of the Revenue Bond together with the proposed security under BNM's Foreign Exchange Policy. The Revenue Bond was issued on 23 August 2024. Please refer to Section 12 of Appendix III of this Circular for further information on the Revenue Bond.*

3.1 Mode of settlement of the AAB Disposal Consideration

The AAB Disposal Consideration will be satisfied by way of AAX's assumption of our Company's debt due to AAB of RM3,800.0 million on the AAB Completion Date pursuant to the terms of the AAB SSPA.

The details of the debt by our Company to AAB as at 31 December 2023 are as follows:

Description	RM'million
Amount owing from our Company to AAB as at 31 December 2023 [(a)]	[(b)] 3,793.0
Add: AAX Stake Transfer	106.7
Adjusted amount owing from our Company to AAB as at 31 December 2023	**3,899.7**

Note:

(a) To streamline AAAGL and AAB intercompany debt, our Company will undertake the AAAGL Debt Novation as part of the Proposed Pre-Completion Restructuring. The AAAGL and AAB intercompany debt pursuant to the undertaking of the AAAGL Debt Novation is set out as follows:

Description	*RM'million*
Amount owing from AAI and PAA to AAB for leases, maintenance reserve and advances	*1,150.0*
Amount owing from IAA to AAB for leases, maintenance reserve and advances	*580.0*
Amount owing from AAAGL to AAB pursuant to the proposed novation of the IAA Perpetual Capital Securities from AAB to AAAGL	*1,090.6*
Total	***2,820.6***

(b) *The amount owing from our Company to AAB comprise the following:*

Description	***RM'million***
Disposal of AirAsia Brand from AAB to Brand AA, a wholly-owned subsidiary of our Company pursuant to the IP Assignment Agreement	*4,500.0*
Advance made to AAB by our Company for working capital purposes	*(707.0)*
Total	***3,793.0***

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

(i) AAB shall fully release our Company from the liability for the payment of the amount owing from our Company to AAB; and

(ii) AAX shall fully assume the liability for the payment of the amount owing from our Company to AAB,

by way of the issue of promissory note from AAX to AAB, which will substitute and cancel the existing promissory note issued by our Company to AAB in connection with the amount owing from our Company to AAB.

The remaining amount owing from our Company to AAB of RM99.7 million after the Debt Settlement shall be payable within 1 year from the AAB Completion Date. In the event the remaining amount owing by our Company to AAB as at the AAB Completion Date deviates from RM99.7 million, the differences shall be fully settled in cash within 1 year from the completion of the Proposed AAB Disposal. The aforesaid amount is excluded from the AAB Disposal Consideration as the consideration was negotiated between our Company and AAX, on a willing-buyer willing-seller basis, after taking into consideration, amongst others, AAX's consideration of the future prospects of AAB Group and the equity value of AAB Equity Interest as at 31 December 2023 based on an independent valuation conducted by DCAS.

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

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

(a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and

(b) the equity value of AAB Equity Interest as at 31 December 2023 based on an independent valuation conducted by DCAS. The AAB Disposal Consideration is within the range of valuation for the AAB Equity Interest of between RM3,721.0 million to RM4,602.0 million ("**AAB Valuation Range**") as at 31 December 2023 as appraised by DCAS in its Valuation Letter. In deriving the valuation, DCAS has considered a number of valuation approaches, and adopted the DCF method (income approach) as the primary method, given that AAB is an income-generating company with active operations.

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

The summary of the key bases and assumptions used by DCAS in the DCF method is as follows:

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

Revenue	• Passenger revenues are expected to contribute approximately 99.0% of the total projected revenue between FY2024 and FY2028 • Freight services revenue is expected to contribute approximately 1.0% of the total projected revenue between FY2024 and FY2028 • Total revenue is expected to grow at a CAGR of approximately 13.0% between FY2024 and FY2028	
Others	• Unutilised tax losses are expected to be utilised and offset against AAB's projected EBIT between FY2024 and FY2028 • Tax expenses are assumed in the terminal period at Malaysia's statutory tax rate of 24.0% • Capital expenditure for non-aircraft operating assets is projected at 1.0% of the total projected revenue between FY2024 and FY2028 • Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 2.0% (ii)	
Discount rates(i)	**Low range**	**High range**
	14.5%	12.5%

Note:

(i) The discount rates adopted have been developed based on the WACC, which includes the additional company-specific risk premium, which represents a risk premium attributable to the specific company of AAB.

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

For information purposes, following the issuance of the Revenue Bond as highlighted in Note (1) of Section 3 of this Circular, a retrospective review of the impact to the AAB Valuation Range had been conducted by DCAS, whereby AAB's cash flow projections had been assessed based on the incremental cash inflows and outflows arising from the drawdown and repayment of the principal and interest and associated tax savings based on the contractual terms of the Revenue Bond between FYE 31 December 2024 and FYE 31 December 2028. DCAS' assessment of the equity value of AAB after the issuance of the Revenue Bond is in the range of RM3,735.0 million to RM4,563.0 million, of which the variance is less than 1% as compared to the assessment of the AAB Valuation Range as per the Valuation Letter. Further information in respect of the review on the impact of the Revenue Bond to the equity value of AAB can be found in DCAS' letter dated 10 September 2024 as appended in Appendix VII of this Circular. The impact of the issuance of the Revenue Bond to the AAB Valuation Range is deemed immaterial on the basis that the impact is less than 1% of the AAB Disposal Consideration.

After extensive negotiation with AAX, our Company and AAX have determined the AAB Disposal Consideration to be at RM3,800.0 million, albeit at the lower end of the AAB Valuation Range, after taking into consideration the following factors:-

(a) the recovery phase of the aviation industry;

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

(c) our Company and our shareholders' continued exposure in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.

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

(i) the AAB Disposal Consideration of RM3,800.0 million is within the AAB Valuation Range of RM3,721.0 million to RM4,602.0 million;

(ii) the effects of the Proposed AAB Disposal which is expected to result in an improvement in the consolidated NA of our Company as set out in Section 10.2 of Part A of this Circular; and

(iii) the expected gain arising from the Proposed AAB Disposal as detailed in Section 3.5 of Part A of this Circular.

3.3 Salient terms of the AAB SSPA

Please refer to Appendix V of this Circular for the salient terms of the AAB SSPA.

3.4 Liabilities which will remain with our Company

There are no liabilities, including contingent liabilities and guarantees, in relation to AAB which will remain with our Company after the completion of the AAB SSPA. For the avoidance of doubt, in the event the approval and/or consent for the release and/or discharge of all the corporate guarantee and/or security provided by our Group in favour of certain lenders/financiers of AAB and/or its subsidiaries pursuant to the condition precedent under the AAB SSPA (as set out in Paragraph 3.1(iii)(h) of Appendix V of this Circular) are not obtained, the Proposed AAB Disposal will not be completed.

For information purposes, our Group has not provided any guarantees to AAX Group.

3.5 Expected gain arising from the Proposed AAB Disposal

Based on our Company's audited consolidated financial statements for the FYE 31 December 2023, the Proposed AAB Disposal is expected to result in a pro forma gain on disposal of AAB upon the AAB Completion of approximately RM7,674.9 million. The details of the pro forma gain arising from the Proposed AAB Disposal is set out below:

	RM'million
AAB Disposal Consideration	3,800.00
Add: Net liabilities of AAB as at 31 December 2023 after the effects of the Proposed Pre-Completion Restructuring [(1)]	3,882.69
Less: Transaction costs for the Proposed AAB Disposal	(7.76)
Pro forma gain on disposal of AAB	**7,674.93**

Note:

(1) The adjusted net liabilities of AAB Group after incorporating the effects of the Proposed Pre-Completion Restructuring are as follows:-

	RM'million
Net liabilities of AAB Group as at 31 December 2023 (as per the Reporting Accountants' Report on the consolidated financial statements of AAB)	*(1,504.69)*
Adjustments relating to the Proposed Pre-Completion Restructuring:	
- Reversal of previous impairment of IAA Perpetual Capital Securities	*1,090.58*
- AAB Dividend	*(3,468.58)*
Net liabilities of AAB Group as at 31 December 2023 after incorporating effects of Proposed Pre-Completion Restructuring	***(3,882.69)***

None of the net liabilities of AAB Group shall be novated to our Company. For clarity, the adjusted net liabilities is added into the computation of the pro forma gain as AAB Group is in a net liabilities position instead of net assets.

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

3.6 Date and original cost of investment

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

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

4. OTHER DETAILS OF THE PROPOSED DISPOSALS

4.1 Information on AAX

AAX was incorporated on 19 May 2006 as a private limited company in Malaysia under the Companies Act 1965 and is deemed registered under the Act. It was incorporated under the name of Eden Hub Sdn Bhd. Its name was subsequently changed to Fly Asian Xpress Sdn Bhd on 1 June 2006 and to AirAsia X Sdn Bhd on 21 September 2007. It was then converted into a public company and assumed its present name on 9 October 2012. On 10 July 2013, it was listed on the Main Market of Bursa Securities.

The principal activity of AAX is the provision of long haul air transportation services while its subsidiaries are principally involved in the provision of aircraft leasing facilities and the provision of management logistical and marketing services. Its associate company, namely Thai AirAsia X Co., Ltd is an operator of commercial air transport services based in Thailand which provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region. As at 31 December 2023, AAX serviced 22 destinations within its network including Australia, China, India, South Korea, Japan, Taiwan, Indonesia and Saudi Arabia.

As at the LPD, AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and does not own any aircraft.

Please refer to Appendix I for further information on AAX.

4.2 Cash Company and Major Disposal

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

Based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2023, the aggregate revenue generated by AAAGL Group and AAB Group constitute more than 70% of our Group's total revenue. As such, the Proposals are deemed as major disposals pursuant to subparagraph 8.03A(2)(a)(i)(bb) of the Listing Requirements which states that a listed issuer may not have a level of operations that is adequate to warrant continued trading or listing on the Official List of Bursa Securities if the listed issuer has suspended or ceased all of its business or its major business due to or as a result of the disposal of the listed issuer's business or major business.

Subparagraph 8.03A(3) of the Listing Requirements states that an affected listed issuer that triggers subparagraph 8.03A(2)(a) of the Listing Requirements must, amongst others, regularise its condition within 12 months, failing which Bursa Securities may suspend the trading of listed securities of such listed issuer or de-list the listed issuer, or both. As our Company is a PN17 Issuer, our Company would be required to undertake a regularisation plan in accordance with Paragraph 8.03 and PN17 of the Listing Requirements. Notwithstanding the 12 months period to regularise our Group's condition pursuant to subparagraph 8.03A(3) of the Listing Requirements, since our Company is also a PN17 Issuer, our Company will adhere to the PN17 timeline to regularise our Group's condition. Pursuant to subparagraph 8.04(3) of the Listing Requirements, our Company as a PN17 Issuer must, amongst others, regularise its condition within 12 months from the date it announces that it is a PN17 Issuer, submit a regularisation plan to Bursa Securities and obtain Bursa Securities' approval to implement the plan.

RHB Investment Bank on behalf of our Company had on 19 August 2024 announced that Bursa Securities had vide its letter dated 19 August 2024 resolved to grant our Company an extension of time up to 31 December 2024 to submit our regularisation plan to the regulatory authorities. Accordingly, our Company will make a requisite announcement on the regularisation plan upon its finalisation. The extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of our Company and to de-list our Company in the event:

(i) our Company fails to submit our regularisation plan to the regulatory authorities on or before 31 December 2024;

(ii) our Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of our regularisation plan; or

(iii) our Company fails to implement our regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of our Company on the 6th market day after the date of notification of suspension by Bursa Securities and de-list our Company, subject to our Company's right to appeal against the delisting.

Our Board intends to maintain the listing status of our Company on the Main Market of Bursa Securities and will endeavour to take the necessary steps to maintain an adequate level of operations through our aviation services, logistics, digital and brand management businesses.

For the avoidance of doubt, the Proposals are not part of our regularisation plan.

4.3 Financial Resources

AAX is not required to make any cash payment to acquire AAAGL and AAB pursuant to the Proposed Disposals.

5. DETAILS OF THE PROPOSED DISTRIBUTION

As part of the Proposed AAAGL Disposal, our Company intends to distribute approximately RM2,200.0 million in value of the Consideration Shares to the Entitled Shareholders based on their respective shareholdings on the Entitlement Date by way of a reduction and repayment of our Company's issued share capital pursuant to Section 116 of the Act. Accordingly, the number of Distribution Shares shall be fixed at 1,692,307,692 Consideration Shares, based on the Issue Price of RM1.30.

An order of the High Court of Malaya will be sought to confirm our Company's issued share capital reduction and repayment pursuant to Section 116 of the Act to facilitate the Proposed Distribution, after obtaining the approval from the Shareholders of our Company at the forthcoming EGM. The share capital reduction and repayment will take effect upon lodgement of the sealed court order of the High Court of Malaya with the Registrar of Companies.

For illustration, based on 1,692,307,692 Consideration Shares and the 5-day VWAP of AAX Shares up to the LPD of RM1.32, the issued share capital of our Company shall be reduced by RM2,233.8 million from RM8,769.4 million as at the LPD to RM6,535.6 million. The credits arising from the capital reduction and repayment of RM2,233.8 million will be transferred to the retained earnings of our Company to facilitate the distribution of 1,692,307,692 Consideration Shares received from the Proposed AAAGL Disposal to the Entitled Shareholders. The exact amount of issued share capital of our Company to be reduced is dependent on the prevailing market price of AAX Shares (i) immediately prior to our application to the High Court of Malaya for the issued share capital reduction and repayment of our Company and (ii) the Entitlement Date. Accordingly, our Board shall be given the full authority and empowerment to decide the final amount of issued share capital to be reduced to facilitate the Proposed Distribution of 1,692,307,692 Consideration Shares.

The reduction and repayment of our Company's issued share capital pursuant to the Proposed Distribution will not result in:

(i) a cancellation of Capital A Shares;

(ii) a change in the number of Capital A Shares held by any of our shareholders; and

(iii) a change in the proportion of Capital A Shares held by any of our shareholders.

Each shareholder will hold the same number of Capital A Shares representing the same percentage shareholding in our Company before and immediately after the completion of the Proposals.

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

$$\frac{\text{No. of Shares held by Entitled Shareholder on the Entitlement Date}}{\text{No. of Capital A Shares in issue on the Entitlement Date}} \times \begin{array}{c}\text{Total Distribution Shares of}\\ \text{1,692,307,692 AAX Shares}\end{array}$$

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

For illustration purpose, based on the total issued share capital of our Company of RM8,769.4 million comprising 4,306.9 million ordinary shares as at the LPD, the Distribution Shares are expected to be distributed on the basis of 392 new AAX Shares for every 1000 of Capital A Shares held by the Entitled Shareholders.

Fractional entitlements to the Distribution Shares, if any, will be disregarded and dealt with in such manner or terms as our Board (save for the Interested Directors) in its absolute discretion deems fit and expedient, and in the best interest of our Company.

Post Proposed Distribution, our Company will retain approximately 672.5 million AAX Shares. Our percentage of shareholding in AAX would depend on the number of AAX Placement Shares to be issued under the AAX Proposed Private Placement. On the assumption that the issue price of AAX Placement Shares is fixed at RM1.13 each which is assumed based on a 14.39% discount to the 5-day VWAP of AAX Shares up to the LPD of RM1.32, the total number of AAX Placement Shares to be issued would be approximately 885.0 million. Accordingly, our Company's shareholding in AAX would represent 18.48% of the enlarged issued share capital of AAX post completion of the Proposals as set out in Appendix I of this Circular. In the event the issue price of the AAX Placement Shares is higher than the illustrative price of RM1.13 each, the total number of AAX Placement Shares to be issued would be lower than the illustrated 885.0 million AAX Placement Shares, which would result in our Company holding a higher percentage of shareholding in AXX than 18.48%. On the contrary, should the issue price of the AAX Placement Shares be lower than the illustrative price of RM1.13 each, the total number of AAX Placement Shares to be issued would be higher than the illustrated 885.0 million AAX Placement Shares, which would result in our Company holding a lower percentage of shareholding in AXX than 18.48%.

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

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

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

where,

T_X = Theoretical ex-price of Capital A Shares (RM)

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

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

X = Number of Distribution Shares (unit)

Y = Number of existing Shares (unit)

Solely for illustrative purposes only, based on the closing price of Capital A Shares and AAX Shares of RM0.77 and RM1.31 respectively as at the LPD, the theoretical ex-price of Capital A Shares is as below:

$$T_x = RM0.77 - \left(RM1.31 \times \frac{1,692,307,692}{4,306,905,831} \right)$$

$$\mathbf{T_x = RM0.26}$$

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

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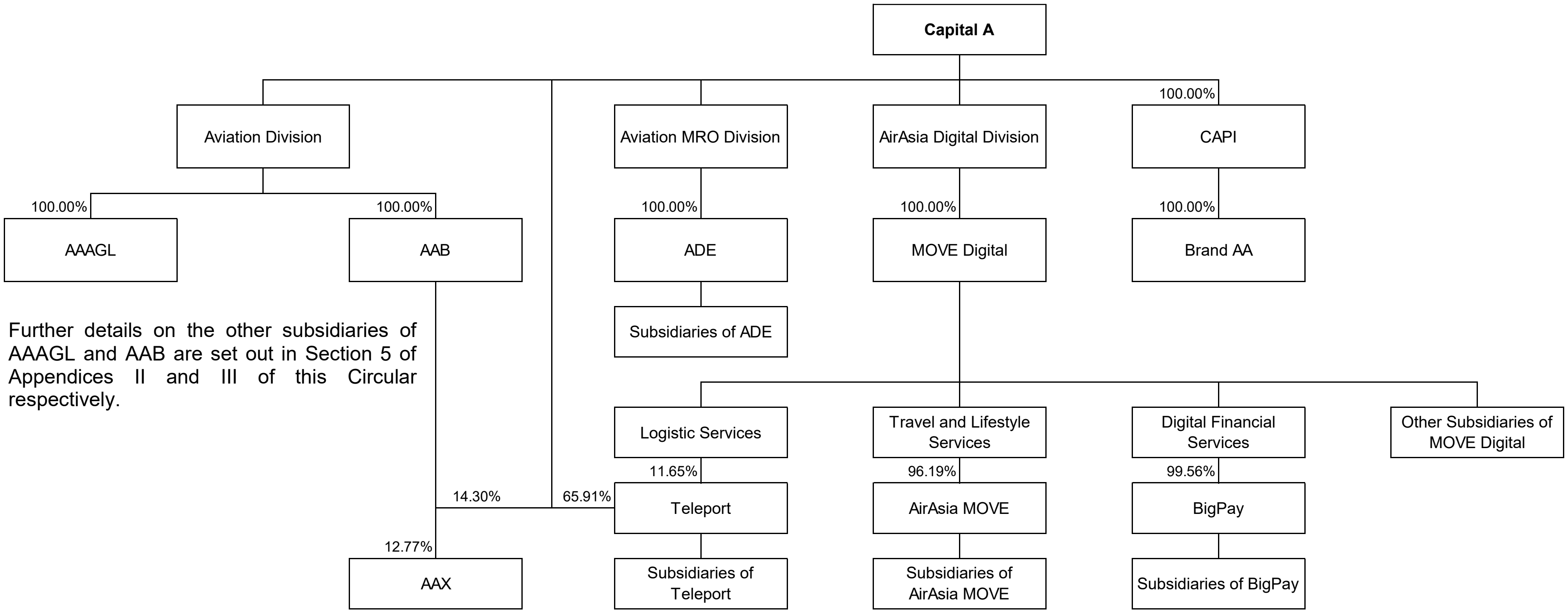
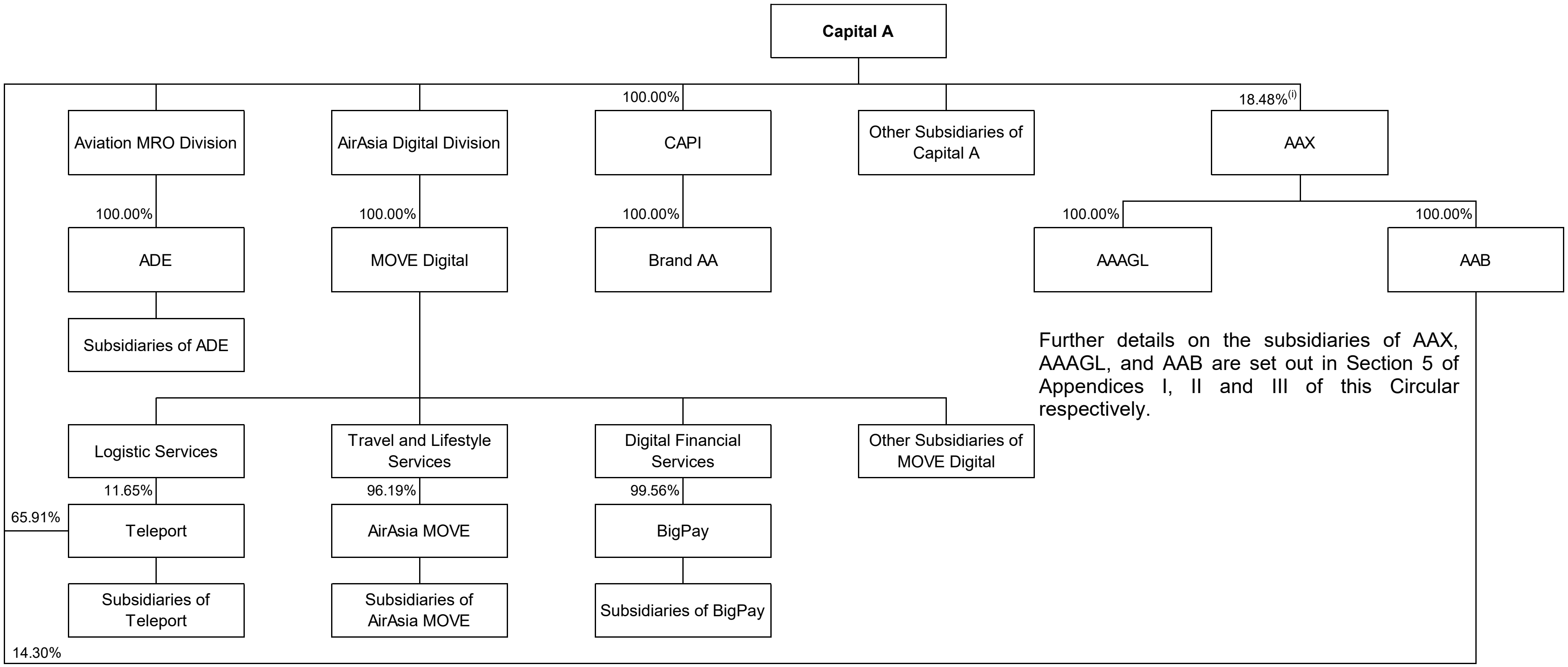
__Before the Proposals__



Further details on the other subsidiaries of AAAGL and AAB are set out in Section 5 of Appendices II and III of this Circular respectively.

After the Proposals



Note:

(i) Refers to Capital A's shareholding in AAX post completion of the Proposals, which includes completion of the AAX Proposed Private Placement based on the assumption that the issue price of AAX Placement Shares is fixed at RM1.13 each based on a 14.39% discount to the 5-day VWAP of AAX Shares up to LPD of RM1.32, the total number of AAX Placement Shares to be issued would be approximately 885.0 million.

6. RATIONALE AND BENEFITS OF THE PROPOSALS

6.1 Proposed Disposals

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

(i) Aviation MRO segment carried out by ADE, a wholly-owned subsidiary of our Company;

(ii) super app segment carried out by AirAsia MOVE, a 96.19%-owned subsidiary of our Company;

(iii) logistics segment carried out by Teleport, a 77.56%-owned subsidiary of our Company;

(iv) digital payments segment carried out by BigPay, a 99.56%-owned subsidiary of our Company;

(v) in-flight catering segment carried out by Santan, a wholly-owned subsidiary of our Company; and

(vi) intellectual property segment carried out by Brand AA, a wholly-owned subsidiary of our Company.

Further details on our Group's core business after the AAAGL Completion and AAB Completion (including the remaining businesses' financial information for the past 3 financial years up to the FYE 31 December 2023) are set out in Section 7 of Part A of this Circular.

Additionally, the Entitled Shareholders will be able to continue participating in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.

The Proposed Disposals are also expected to result in greater clarity of investment between our Company, being the aviation services, logistics, digital and brand management businesses provider, and AAX, a pure aviation business consolidating both long and short haul routes under the AirAsia brand name, enabling the capital market and other stakeholders to better ascertain the merits and prospects of each entity. This would facilitate business-centric valuation of the separate entities.

Our Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and is thereby expected to improve the shareholders' equity of our Group in our effort to regularise our financial conditions. The pro forma effects of the Proposals on the improvement to the NA and gearing of our Group based on the latest audited consolidated financial statements of our Company as at 31 December 2023 are set out in Section 10.2 of Part A of this Circular.

A summary of the key financial performance of the AAAGL Group and AAB Group for the past 3 financial years up to the FYE 31 December 2023 are set out below:

(a) AAAGL Group

	Audited		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	-	22,245	5,630,969
PBT/(LBT)	3,701	(302,591)	874,985
PATAMI/(LATAMI)	3,701	(302,591)	1,137,184

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

The AAAGL Group recorded revenue of RM22.3 million for the FYE 31 December 2022, which was contributed mainly from the provision of aviation and commercial services of RM22.1 million by AirAsia (Guangzhou) Aviation Service Limited Company which was acquired during the FYE 31 December 2022.

The AAAGL Group recorded LATAMI of RM302.6 million for the FYE 31 December 2022, a decrease of RM306.3 million as compared to a PATAMI of RM3.7 million for the FYE 31 December 2021, mainly attributed to the share of losses of associates of approximately RM297.8 million mainly arising from the share of losses in AAV.

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

The AAAGL Group recorded an improved revenue of approximately RM5,631.0 million for the FYE 31 December 2023 as compared to RM22.3 million for the FYE 31 December 2022, mainly attributable to the accounting consolidation of TAA, IAA and PAA which were deemed as subsidiaries of AAAGL with effect from the FYE 31 December 2023 pursuant to the SBLAs entered into between AAAGL and the sub-licensees, namely TAA, IAA and PAA together with their respective AOC Holdco, namely AAV, AAID and AAI, where the sub-licensees have to comply with the branding guidelines and operating requirements in relation to the operations of the AOCs as "AirAsia" branded airlines as well as any new or amended policies and standards prescribed by AAAGL. Accordingly, in accordance with the applicable accounting standards, AAV, AAI and AAID are therefore deemed as subsidiaries of AAAGL for accounting purposes with effect from the FYE 31 December 2023. TAA, IAA and PAA recorded sale of scheduled flights and chartered flights amounting to RM4,569.6 million and ancillary revenue amounting to RM1,030.9 million for the FYE 31 December 2023.

The AAAGL Group recorded a PATAMI of approximately of RM1,137.2 million for the FYE 31 December 2023, an increase of RM1,439.8 million as compared to a LATAMI of RM302.6 million for the FYE 31 December 2022. The increase in profit was mainly attributable to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses amounting to RM2,375.3 million, maintenance and overhaul expenses of RM1,365.7 million and user charges amounting to RM932.6 million for the FYE 31 December 2023. In addition, there was a gain on remeasurement of previously held interest in associate amounting to RM1,547.9 million, derived primarily from the impacts resulting from the change of status of AAV, AAID, AAI, TAA, IAA and PAA from associates to subsidiaries of AAAGL for accounting consolidation purposes during the FYE 31 December 2023.

(b) AAB Group

	Audited		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	691,358	3,784,775	6,420,374
PBT/(LBT)	(2,472,776)	(1,778,995)	3,626,938
PATAMI/(LATAMI)	(2,473,766)	(1,782,331)	3,620,868

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

AAB Group recorded revenue of approximately RM3,784.8 million for the FYE 31 December 2022, an increase of approximately RM3,093.4 million or 447% from approximately RM691.4 million for FYE 31 December 2021, mainly attributed to the relaxation of travel restrictions, including testing, quarantine and entry requirements amidst the COVID-19 pandemic. Consequently, AAB Group carried 16.78 million passengers during the FYE 31 December 2022 as compared to 3.13 million in the previous financial year. Hence, passenger service revenue increased by RM2,361.6 million or 475% to RM2,859.1 million for FYE 31 December 2022 as compared to RM497.5 million for FYE 31 December 2021. Additionally, ancillary revenue increased by RM685.7 million or 380% to RM866.2 million for the FYE 31 December 2022 as compared to RM180.5 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees as a result of a higher number of passengers resulting from the resumption of international flights.

AAB Group recorded a LATAMI of approximately RM1,782.3 million for FYE 31 December 2022 as compared to a LATAMI of approximately RM2,473.8 million for the previous financial year, representing a decrease in losses of approximately RM691.5 million or 28%. This was mainly due to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses which increased by RM1,694.9 million or 742% from RM228.4 million for the FYE 31 December 2021 to RM1,923.3 million for the FYE 31 December 2022, resulting from higher fuel consumption and rising fuel prices in the global market.

(ii) **FYE 31 December 2023 compared to FYE 31 December 2022**

AAB Group recorded revenue of approximately RM6,420.4 million for the FYE 31 December 2023, an increase of RM2,635.6 million or 70% from RM3,784.8 million for the FYE 31 December 2022, marking the highest revenue recorded by the AAB Group since the inset of the COVID-19 pandemic. The increased revenue during the FYE 31 December 2023 was mainly attributable to the further reactivation of an additional twenty-eight (28) operating aircraft during this financial year, resulting in seventy-one (71) operating aircraft in the AAB Group's fleet as at 31 December 2023, thereby further increasing seat capacity for the AAB Group's scheduled flight operations.

Hence, seat sales revenue increased by RM1,450.2 million or 51% to RM4,309.3 million for the FYE 31 December 2023 as compared to RM2,859.1 million for the FYE 31 December 2022. The AAB Group recorded an increase in its average base fare to RM224 for FYE 31 December 2023 as compared to RM192 for the previous financial year. Additionally, ancillary revenue increased by RM1,160.8 million or 134% to RM2,027.0 million for the FYE 31 December 2023 as compared to RM866.2 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees due to the higher number of passengers, resulting from more aircraft back into service.

The AAB Group recorded a PATAMI of approximately RM3,620.9 million for the FYE 31 December 2023 as compared to a LATAMI of RM1,782.3 million for the previous financial year, representing an increase of approximately RM5,403.2 million. The improvement was mainly due to the one-off gain from disposal of AirAsia Brand of RM 4,500.0 million, the higher revenue as explained above, partially offset by higher operating expenses, particularly from aircraft fuel expenses which rose by RM879.5 million or 46% from RM1,923.3 million for the FYE 31 December 2022 to RM2,802.8 million for the FYE 31 December 2023 resulting from higher fuel consumption and rising fuel prices in the global market.

Please refer to Section 6 of Appendices II and III of this Circular for further details on the historical financial information on AAAGL Group and AAB Group, respectively.

6.2 Proposed Distribution

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

(i) reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX, while allowing clarity of investment in two distinct entities with different business activities namely, the aviation businesses and the aviation services, logistics, digital and brand management businesses; and

(ii) enable the Entitled Shareholders to potentially benefit directly from the future performance of AAX.

7. PROSPECTS OF OUR GROUP

Our Board intends to maintain the listing status of our Company and our Group's core businesses after the completion of the Proposed Disposals are principally in the following:

(i) Capital A Aviation Services

(a) Aviation MRO: Aviation MRO services, which includes line maintenance services, base maintenance services, workshop services, components and warehouse services and technical advisory services carried out by ADE, our wholly-owned subsidiary, and its subsidiaries; and

(b) In-flight Catering: Provision of in-flight catering and services to AirAsia flights, other airlines and other modes of transportation, supplier of ready-to-eat means to retail outlets and catering services under the "Santan Café" tradename carried out by Santan.

(ii) Digital Businesses under MOVE Digital

(a) Online travel agency: Operations and management of a online travel agency focusing on selling flight tickets, hotels, airport transfer, duty free shopping and other travel related services carried out by AirAsia MOVE, our 96.19%-owned subsidiary, and its subsidiaries; and

(b) Financial technology services: Digital financial services business, which includes payment, remittance, lending and money management services carried out by BigPay, our 99.56%-owned subsidiary, and its subsidiaries.

(iii) Logistics

Logistics: Logistic services and solutions under the name "Teleport", carried out by Teleport, our 77.56%-owned subsidiary, and its subsidiaries.

(iv) AirAsia Brand

Brand and intellectual property company: Brand and intellectual property development, licensing and management business carried out by Brand AA, our wholly-owned subsidiary, as exclusive licensor for the AirAsia Brand.

After the Proposals, our Group would replace the loss of revenue and income contribution from AAAGL Group and AAB Group mainly with revenue and income from ADE, AirAsia MOVE, Teleport, BigPay, Brand AA and Santan as detailed in the ensuing sections.

The details of ADE, AirAsia MOVE, Teleport, BigPay, Brand AA and Santan are set out below.

7.1 ADE

In carrying out the Aviation MRO business, ADE primarily provides the following services:-

(i) Engineering Maintenance Services ("EMS") – comprises mainly line maintenance, base maintenance and workshops. Line maintenance entails providing maintenance activities carried out before a flight to ensure the flight is fit for the intended flight and does not require hangar space. On the other hand, base maintenance entails routine hangar maintenance checks or ad-hoc defect investigations, rectification or refurbishment services. ADE has workshops for wheels, brakes, oxygen bottles, batteries, composites and sheet metal, and quick engine change.

(ii) **Component and Warehouse Services** ("**CWS**") – comprises mainly the provision of consumables, parts, equipment and tools inventory access and repair management. Provision of consumables entails the provision of consumables required for line maintenance and base maintenance services. as well as a marketplace for aircraft spare parts, trading, component leasing and exchanges. Parts, equipment and inventory tool access allow airlines to have access to an inventory of parts, equipment and/or tools as and when it is required. Repair management entails the management of repair of aircraft parts including engine, auxiliary power unit, landing gear and components carried out by external workshop;

(iii) **Engineering Support Services** ("**ESS**") – comprises fleet and technical asset management for maintenance activities and aircraft technical records. It also comprises the validation of technical design changes and issuance of the Design Organisation Approval from the Civil Aviation Authority; and

(iv) **Digital and Innovation Services** ("**DIS**") – comprises business-to-business ("**B2B**") online marketplace to facilitate the buying and selling of new and used aircraft parts, predictive and preventive maintenance system; as well as a learning and training management platform for aviation MRO services training.

A summary of the key financial performance of the ADE for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	101,333	285,772	573,996
PBT/(LBT)	6,254	46,325	88,398
PAT/(LAT)	(6,509)	32,500	115,325

Commentaries of past financial performance:

(i) **FYE 31 December 2022 compared to FYE 31 December 2021**

For the FYE 31 December 2022, ADE recorded a revenue of RM285.8 million, which represents an increase of 182% as compared to RM101.3 million for the preceding financial year. The increase in revenue was mainly attributable to the relaxation of travel restrictions in various countries that have led to travel resumption and increased flights which have driven the demand for aviation MRO services, namely the revenue from line maintenance under the EMS and from the CWS which increased by 54% and 1005% respectively. ADE also expanded its hangar capacity from 1 to 5 hangar lines with the addition of 4 hangar lines in Subang Airport, Selangor in August 2022.

ADE recorded a PAT of RM32.5 million for the FYE 31 December 2022 as compared to a LAT of RM6.5 million for the preceding financial year, mainly attributable to the increase in the revenue from aviation MRO services by 182% with the expansion of hangar capacity. Cost of services increased by 146% from RM77.0 million to RM189.1 million in line with the increase in aviation MRO services.

(ii) **FYE 31 December 2023 compared to FYE 31 December 2022**

For the FYE 31 December 2023, ADE recorded a revenue of RM574.0 million, which represents an increase of 101% as compared to RM285.8 million for the preceding financial year. The increase in revenue was mainly attributable to the increase in demand of aviation MRO services as a result of surge in flight activity, coupled with the expanded hangar capacity with the launch of 2 hangar lines in Senai International Airport, Johor in April 2023. Revenue from line maintenance under EMS and CWS increased by 21% and 144% respectively.

ADE recorded a PAT of RM115.3 million for the FYE 31 December 2023, which represents an increase of 255% as compared to a PAT of RM32.5 million for the preceding financial year, mainly attributable to the increase in the revenue from aviation MRO services by 101% with the expansion of hangar capacity. In tandem with the increase in the aviation MRO activities, the cost of services has also increased by 114%. Further, the finance costs of ADE have increased by RM20.2 million mainly due to the financing costs to fund the construction of new hangar lines in KLIA. In addition, during the FYE 31 December 2023, ADE was granted a special incentive package of income tax exemption on business statutory income by the Ministry of Finance for a period of 10 years, commencing from the year of assessment 2022 in respect of EMS, ESS and DIS. ADE recorded income tax benefits of RM26.9 million for the FYE 31 December 2023.

7.2 AirAsia MOVE

AirAsia MOVE operates and manages a platform that offers travellers a variety of travel-related services, ranging from flights, hotels, duty-free shopping, travel insurance, and airport transfers.

AirAsia MOVE aims to fulfil the needs of value-conscious travellers, leading to the creation of travel-related service bundles, such as advanced booking rates, flight + hotel bundles, ASEAN Explorer - unlimited travel passes, as well as fintech offerings that provide cheap payment options, pay later facilities and insurance to manage travel risks. Advanced booking rates and flight + hotel bundles not only benefit travellers, but also airlines and hotels as they can fill their capacity early.

Accessible through a mobile app or web platform, AirAsia MOVE ecosystem is integrated with its loyalty program, AirAsia rewards and the BigPay e-wallet, further enriching the user experience and providing seamless access to its offerings.

Part of AirAsia MOVE's future strategies include the following:

(a) Enhancing the AirAsia MOVE platform to improve user experience and personalise user journey;

(b) Develop direct relationships with airlines and hotels to obtain attractive inventories;

(c) Forming strategic partnerships to expand the range of service offerings, build its brand and expanding its user base;

(d) Investing in promotional activities and launching new products and services; and

(e) Implementation of personalized promotions and dynamic pricing strategies to improve customer conversion rates.

A summary of the key financial performance of the AirAsia MOVE Group for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Unaudited *		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	150,016	377,745	668,896
PBT/(LBT)	(140,996)	(110,403)	67,395
PAT/(LAT)	(141,177)	(112,990)	58,111

Note:

* *For the avoidance of doubt, there are no audited consolidated financial statements prepared for AirAsia MOVE Group for all the past 3 financial years up to and including FYE 31 December 2023. The financial results of the AirAsia MOVE Group shown above is based on the compilation of the audited financial results of the AirAsia MOVE Group prepared by the management of our Company.*

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, AirAsia MOVE Group recorded a revenue of RM377.7 million, which represents an increase of 152% as compared to RM150.0 million for the preceding financial year. The increase in revenue was mainly driven by continued resurgence of travel demand from border reopening and tactical campaigns, alongside with the recognition of revenue from AirAsia Rewards. Capitalising on demand, AirAsia MOVE launched SUPER+, offering unlimited travel for a year on all AirAsia flights for a fixed fee.

AirAsia MOVE Group recorded an improvement in the LAT of RM113.0 million for the FYE 31 December 2022 as compared to a LAT of RM141.2 million for the preceding financial year, mainly attributable to the increase in the revenue generated from transactions made on AirAsia MOVE Super App. In terms of MAU, AirAsia MOVE super achieved 12.0 million average MAU during the FYE 31 December 2022 primarily due to the return of travel and increased user acquisition on the mobile application. Additionally, the number of transactions for the financial year increased, which were driven primarily by increased transactions from AirAsia Flights, AirAsia Ride, FlyBeyond, and SUPER+.

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, AirAsia MOVE Group recorded a revenue of RM668.9 million, which represents an increase of 77% as compared to RM377.7 million for the preceding financial year. The increase in revenue was mainly driven by continued increase in air travel and increased user acquisition on the mobile application.

AirAsia MOVE Group recorded an improvement in the PAT of RM58.1 million for the FYE 31 December 2023 as compared to a LAT of RM113.0 million for the preceding financial year, mainly attributable to higher revenue from the continued increase in air travel as well as and increased user acquisition on the mobile application. In terms of MAU, AirAsia MOVE achieved 15.0 million average MAU during the FYE 31 December 2023 primarily due to the increased transactions from AirAsia Flights, AirAsia Ride and FlyBeyond.

7.3 Teleport

Teleport is involved in the provision of the following services:

(a) Teleport Cargo – Airport-to-airport logistics services using AirAsia's network of passenger aircraft belly space, freighter aircraft and third-party airlines;

(a) Teleport Solutions – Customisable first- to last-mile cross-border delivery services; and

(b) Teleport Next Day – Cross-border door-to-door parcel delivery services carried out within the next day.

Its customers are mainly global freight forwarders, courier companies, e-commerce marketplaces, retailers, airlines and other multinational and local conglomerates and companies exporting their products.

Teleport works with AirAsia and third-party airlines (such as Etihad Cargo, Turkish Cargo, Garuda Indonesia, SF Airlines, Air New Zealand, United Parcel Service (UPS) and Pakistan International Airlines) to utilise cargo belly and cargo spaces of passenger and freighter aircraft to make mid-mile deliveries. Teleport had inducted three Airbus A321 Freighters into its fleet to better serve high-demand cargo routes. Its first- and last-mile delivery capability comprises contracted riders and drivers or on a crowdsource basis, in combination with selected third-party delivery companies.

A summary of the key financial performance of the Teleport Group for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	[(a)]2021	**[(a)]2022**	**[(a)]2023**
	RM'000	**RM'000**	**RM'000**
Revenue	533,653	478,716	744,718
PBT/(LBT)	(50,955)	(63,370)	(4,971)
PAT/(LAT)	(51,534)	(66,166)	(3,130)

Note:

(a) The audited consolidated financial statements of Teleport Group for the past 3 financial years up to and including the FYE 31 December 2023 has been prepared using USD. The following exchange rates are used to derive at the historical financial information shown above:

FYE 31 December 2021 – USD1:RM4.1650;
FYE 31 December 2022 – USD1:RM4.3900; and
FYE 31 December 2023 – USD1:RM4.5900.

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Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, Teleport Group recorded a revenue of RM478.7 million, representing a decrease of 10% from RM533.7 million revenue recorded in the preceding financial year. The recovery of air travel especially in the second half of 2022 had allowed Teleport to access its key advantage, namely AirAsia passenger aircraft belly space. AirAsia's passenger network has been recovering throughout 2022 which saw the return of high margin belly cargo for Teleport. This has replaced the low margin passenger-to-cargo planes deployed throughout 2021 and the first half of 2022. The delivery segment volume grew from 1.2 million deliveries in the FYE 31 December 2021 to 8.0 million deliveries in the FYE 31 December 2022 and the unit economics improved as Teleport increased the proportion of deliveries utilising air cargo.

Teleport Group recorded a LAT of RM66.2 million for the FYE 31 December 2022 as compared to a LAT of RM51.5 million for the preceding financial year, mainly attributable to the high operating costs for phasing out the converted passenger-to-cargo planes.

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, Teleport Group recorded a revenue of RM744.7 million, representing an increase of 56% from RM478.7 million revenue recorded in the preceding financial year. The delivery segment volume grew from 8.0 million deliveries in the FYE 31 December 2022 to 29.9 million deliveries in the FYE 31 December 2023 and the unit economics improved as Teleport increased the proportion of deliveries utilising air cargo.

Teleport Group recorded an improvement in the LAT of RM3.1 million for the FYE 31 December 2023 as compared to a LAT of RM66.2 million for the preceding financial year, mainly attributable to reopening of international borders after COVID-19 lockdowns and the positive impact of the return of passenger aircraft belly capacity to Teleport to operate.

7.4 BigPay

BigPay is principally involved in financial technology services. It offers digital financial services through the BigPay platform which comprises a mobile application, an e-wallet and a physical prepaid card. Currently, BigPay platform users can obtain a virtual account in Malaysia, Singapore and Thailand immediately when they sign up for BigPay.

BigPay’s products and services are primarily as follows:

(a) **Payment services** – payments from BigPay users’ accounts to merchants globally via the BigPay VISA Prepaid card, DuitNow QR feature which is a cashless payment method using QR code scanning function and cross-border QR where BigPay users in Malaysia can pay by scanning QR codes provided when they are travelling overseas. It also has a split bill feature which allow BigPay users to split bill payments with other BigPay users;

(b) **Remittance services** – transfer of funds from BigPay platform accounts to other BigPay users or to bank accounts around the world via P2P transfer, DuitNow Transfer and DuitNow QR, local bank transfer and international remittance;

(c) **E-wallets and Stashes** – E-wallets allow BigPay users to track their financial well-being and spending on the BigPay platform. Stashes allow BigPay users to set aside their funds from their main BigPay e-wallet to separate “stashes” in their BigPay account. BigPay users can set aside portions of their funds from their BigPay account into separate “stashes” to help them budget and manage their money or spending;

(d) **Marketplace** – allows BigPay users to purchase or pay for life or medical insurance, or smart device protection and loan protection. It also allows BigPay users to make bill payments for utilities, mobile postpaid bills as well as purchase reloads for pre-paid mobile plans; and

(e) **Lending services** – allows BigPay users to apply for, obtain approval for and receive personal loans.

A summary of the key financial performance of the BigPay Group for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited	**Unaudited**	
	FYE 31 December		
	[(a)]2021	**[(a)]2022**	**[(a)]2023**
	RM’000	**RM’000**	**RM’000**
Revenue	20,879	30,036	46,010
PBT/(LBT)	(138,807)	(133,741)	(153,604)
PAT/(LAT)	(138,807)	(133,763)	(106,919)

Note:

(a) The consolidated financial statements of BigPay Group for the past 3 financial years up to and including the FYE 31 December 2023 has been prepared using USD. The following exchange rates are used to derive at the historical financial information shown above:

FYE 31 December 2021 – USD1:RM4.1650;
FYE 31 December 2022 – USD1:RM4.3900; and
FYE 31 December 2023 – USD1:RM4.5900.

Commentaries of past financial performance:

(i) **FYE 31 December 2022 compared to FYE 31 December 2021**

For the FYE 31 December 2022, BigPay Group recorded a revenue of RM30.0 million, representing an increase of 44% from RM20.9 million revenue recorded in the preceding financial year. This was driven by growth in usage and volume within both the payments and remittance businesses, in line with travel recovery and the expansion of the product offerings, such as the launch of Malaysia’s national instant payments and transfers (DuitNow), and additional 35 international remittance corridors in Europe and the United Kingdom. The payments business also had an improvement in margins from a higher take rate from international payments. BigPay launched its digital personal loan by leveraging on its data-based credit scoring and offering competitive interest rates. It also launched Stashes to provide users a simple way to reach their saving goals by simply rounding up their payments to the nearest ringgit and transferring the difference into their personalised Stash. BigPay's carded users stood at 1.3 million as at 31 December 2022 as compared to 1.0 million as at 31 December 2021.

BigPay Group recorded an improvement in the LAT of RM133.8 million for the FYE 31 December 2022 as compared to a LAT of RM138.8 million for the preceding financial year, mainly attributable to improvements in operating and marketing efficiency and higher margin as compared to preceding financial year. BigPay and AirAsia MOVE had collaborated to share capabilities like mobile engineering, digital growth and marketing and user experience design to improve efficiency and provide cost savings and avoidance and allow teams to improve their skill sets through enlarged learning opportunities. In addition, BigPay had introduced foreign currency spread to its users for payment transactions in foreign currency, which allows BigPay to pass on the fees charged by Visa to BigPay for settlement of payment transactions in foreign currency. It had also undertaken a headcount rationalisation exercise since August 2022.

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, BigPay Group recorded a revenue of RM46.0 million, representing an increase of 53% from RM30.0 million revenue recorded in the preceding financial year. This was driven by the introduction of cross border fee and credit card top up fee as well as growth in usage and volume within the payments, remittance and lending businesses. BigPay's carded users stood at 1.5 million as at 31 December 2023 as compared to 1.3 million as at 31 December 2022.

BigPay Group recorded an improvement in the LAT of RM106.9 million for the FYE 31 December 2023 as compared to a LAT of RM133.8 million for the preceding financial year, mainly attributable to the increase in revenue and improvement in cost management with lower operating expenses.

7.5 Brand AA

Brand AA is the sole proprietor of the AirAsia Brand. Prior to 27 June 2023, AAB was the registered proprietor for all the rights in the AirAsia Brand. On 27 June 2023, AAB entered into an intellectual property assignment agreement with Capital A and Brand AA for the transfer of the AirAsia Brand from AAB to Brand AA. Subsequently, Brand AA now holds the right to grant licenses in relation to the intellectual property rights to use the trade name and livery of the AirAsia Brand.

Pursuant to the MBLA, AAB is entitled to collect a royalty fee from AAAGL. AAAGL as the exclusive licensee, in turn had executed a tripartite SBLA with each of the AOCs and the AOC Holdco, as well as TAAX, where AAAGL is entitled to collect a sub-license royalty fee. Upon completion of the transfer of the AirAsia Brand from AAB to Brand AA, Brand AA assumes AAB’s right under the MBLA to collect the royalty fee from AAAGL who in turn collects the sub-license royalty fees from the AOCs and TAAX. Brand AA charges a royalty fee rate of 1% on all revenues (including fares and ancillary income) of the AOCs and TAAX whereas AAX pays a royalty fee of 0.5%.

Subject to negotiation with AAX, Capital A intends to procure AAX to execute a brand sub-licensing agreement upon completion of the Proposed Disposals to streamline the control of the licensing of the AirAsia Brand and the royalty fee rate charged on the AOCs, TAAX and AAX.

A summary of the key financial performance of the Brand AA for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Revenue	-	-	44,685
PBT/(LBT)	(35)	(47)	16,122
PAT/(LAT)	(35)	(47)	12,199

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, Brand AA did not generate any revenue as it was a special purpose vehicle company with no business operations. Brand AA recorded a LAT of RM0.05 million for FYE 31 December 2021 mainly attributable to the management fee and audit fee incurred.

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, Brand AA recorded a revenue of RM44.7 million attributable to the royalty fee derived from AAAGL pursuant to the MBLA mainly attributable to sub-license royalty fees collected from TAA, IAA, PAA and AAB.

Brand AA recorded a PAT of RM12.2 million for the FYE 31 December 2023 mainly attributable to the royalty fee derived from AAAGL and partially offset by the staff-related costs, management fee and public relation expenses incurred.

Our Company had on 28 February 2024 announced that our Company intended to undertake the Proposed Business Combination and Proposed SPAC Distribution (as defined in Section 18(b) of Part A of this Circular respectively). For illustration purposes, assuming our Company holds 46.1% of the enlarged issued shares of CAPI upon completion of the Proposed Business Combination and Proposed SPAC Distribution (after taking into account the existing shareholders of GMFI (as defined in Section 18(b) of Part A of this Circular)), Brand AA will cease to be a wholly-owned subsidiary of Capital A and as such, our Group shall recognise the income contribution from Brand AA in the form of share of profit from associates instead of consolidating the income contribution of Brand AA as a wholly-owned subsidiary.

7.6 Santan

Santan mainly carries out the inflight catering services as well as food services on the ground under operation and management of a café chain under the "Santan Café" trade name, and the preparation and sale of frozen and ready-to-eat food in convenience stores.

Santan's customer base for its airline catering business are AAB, AAX, IAA and PAA. Meanwhile, its customers for its café chain are consumers while its customers for its frozen and ready-to-eat food are food and beverage service providers and retailers.

A summary of the key financial performance of the Santan for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Revenue	2,828	34,986	133,600
PBT/(LBT)	(4,703)	(4,989)	19,790
PAT/(LAT)	(4,703)	(4,989)	15,814

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, Santan recorded a revenue of RM35.0 million, which represents an increase of 1150% as compared to RM2.8 million for the preceding financial year. The increase in revenue was mainly attributable to the launch of the in-flight catering business in August 2022 supported by the reopening of borders as well as the lifting of social restrictions which led to a higher footfall to Santan restaurants.

Santan recorded a LAT of RM5.0 million for the FYE 31 December 2022 as compared to a LAT of RM4.7 million for the preceding financial year, mainly attributable to higher operating expenses arising from launch of the in-flight catering business in August 2022.

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, Santan recorded a revenue of RM133.6 million, which represents an increase of 282% as compared to RM35.0 million for the preceding financial year. The increase in revenue was mainly attributable to the surge in demand for in-flight products was in line with the recovery of AirAsia flight frequencies and spending growth of passengers. The restaurant and café business also observed an increase in revenue due to the increase of footfall and change of locations.

Santan recorded a PAT of RM15.8 million for the FYE 31 December 2023 as compared to a LAT of RM5.0 million for the preceding financial year, mainly attributable to the increase in revenue from in-flight catering business in line with the recovery of AirAsia flight frequencies and spending growth of passengers but partly offset by higher operating expenses in line with the increase in demand for the in-flight catering business.

7.7 Future direction, outlook and prospects of our Group after the Proposals

After the completion of the Proposals, our Group will strategically diversify from being one of the major low-cost carrier in Southeast Asia into a diversified ecosystem of aviation and digital services. This shift is designed to capture opportunities beyond traditional airline operations, directly responding to evolving consumer demands and technological advancements. After the completion of the Proposed Disposals, our Group's core verticals shall comprise "Capital A Aviation Services" (which primarily includes ADE and Santan), Teleport, "MOVE Digital" (which includes AirAsia MOVE and BigPay), as well as AirAsia Brand. Further details of the future direction, outlook and prospects of our Group's core verticals are set out as follows:

(i) Capital A Aviation Services

ADE – ADE is one of the main income contributors to our Group with an audited PAT of RM115.3 million for the FYE 31 December 2023 and is poised to expand its capacity to cater for increased aviation MRO activities and extend its presence regionally. ADE has expanded its line maintenance presence regionally through expanding from Malaysia into Cambodia, the Philippines and Indonesia. As part of ADE's expansion, ADE plans to offer line maintenance services, engineering support services and warehouse services in Thailand. In addition, ADE is undertaking significant expansion whereby it has recently set up 6 new hangar lines in KLIA, Malaysia and will be completing 8 additional hangar lines by the end of 2024, which will bring ADE's total base maintenance lines to 16. Subsequently, ADE intends to increase further the number of hangar lines under its operation to 20 by the end of 2026, in addition to developing new workshops, all of which will be used to service AirAsia aircraft and other third-party airlines.

The planned expansion in the number of hangar lines is in anticipation of an increase in demand for aviation MRO services in Southeast Asia in view of increased tourism activities and growth in the aviation industry as discussed in Section 8.2 of Part A of this Circular. The main key drivers to ADE's growth would include increased AirAsia flight frequencies and expansion of flight routes, reactivation of AirAsia's hibernated aircraft from storage as well as increased line and base maintenance bookings secured from other airlines and a growth in passenger air travels and expansion of flight routes by other airlines.

Santan – Santan's core business as an inflight catering service provider to AirAsia has demonstrated encouraging growth, in light of the recovery of tourism activities post the COVID-19 pandemic. Santan recorded an audited PAT of RM15.8 million for the FYE 31 December 2023. At present, Santan's key revenue driver would mainly be the increase in AirAsia's flight frequencies and expansion in flight routes. Our Company expects that Santan's core business of inflight catering service will continue to grow with the expected growth in the aviation and tourism industry. In addition, Santan will grow its revenues as it intends to charge TAA for its airline catering service beginning January 2025.

In addition, Santan is applying for an inflight license to serve third party airlines starting in Malaysia. While waiting for the license approval, Santan will be using its expertise to offer inflight services to bus and train operators.

In the longer term, Santan also intends to expand its customer base for frozen and ready-to-eat food by targeting hotels and food and beverage service providers. In the long run, Santan aims to expand its customer base to achieve a volume advantage that would in turn drive down cost and improve operational efficiencies.

(ii) MOVE Digital

AirAsia MOVE – AirAsia MOVE is a major income contributor to our Group with unaudited PAT of AirAsia MOVE Group for the financial year ended 31 December 2023 of approximately RM58.1 million. AirAsia MOVE, through its super app, is able to leverage on the AirAsia Brand and data, allowing AirAsia MOVE Group to achieve relatively lower acquisitions costs to acquire a large customer base. AirAsia MOVE Group expects that AirAsia MOVE Super App's unique transacting users in Southeast Asia, particularly in Malaysia, Thailand and Indonesia will grow in line with the growing airline industry in Southeast Asia. The growth in the aviation industry indicates an increased number of travellers, which would in turn lead to a larger target market of customers to utilise AirAsia MOVE's services.

The proliferation of smartphones and mobile devices is also expected to drive usage of the AirAsia MOVE platform.

With over 15 million MAU recorded for the year 2023, AirAsia MOVE will intensify its marketing and personalisation efforts to promote the flight and hotel segments while prioritising strategic technological enhancements to elevate the overall customer experience and increase conversions. AirAsia MOVE is also actively securing preferential fare classes and exclusive airline and hotel partnerships to strengthen its competitive edge and drive market share growth. AirAsia MOVE aims to deliver 60% of total AirAsia seats sales through the platform by the fourth quarter of 2025 from 43% of the total AirAsia seats sales in December 2023, while cross-selling the users with other products on the platform.

The AirAsia rewards program will transition from a retail-based model towards a community-based model. Through chats and gamification, like-minded members can connect and share experience, while gaining access to earn and burn points on exclusive benefits, utility and special events within the community. Additionally, the points earned will function as universal digital currency, convertible within and outside the AirAsia Ecosystem. By shifting from a one-way exchange system to a two-way exchange system, AirAsia Rewards will empower users to convert between AirAsia points and partner loyalty points. This enhanced flexibility will drive user engagement, loyalty and velocity of points usage as it broadens redemption opportunities, allowing users to utilise their points on external platforms beyond AirAsia MOVE. AirAsia Rewards also aims to onboard more partners to its loyalty program, working towards an open-loop redemption model to increase stickiness of both its users and partners.

BigPay – BigPay recorded LAT to our Group of USD23.3 million (equivalent to approximately RM106.9 million*) for the FYE 31 December 2023. Big Pay plans to narrow the losses in the short to medium term by undertaking the following:-

- BigPay recognised a potential to target AirAsia MOVE's customers who have not been utilising BigPay's digital financial services, due to previously having operated independently. Accordingly, BigPay Group has begun collaborating with AirAsia MOVE Group in October 2023 to, amongst others, embed BigPay's financial services features into the AirAsia MOVE Super App and encourage a higher proportion of payments to be done via BigPay.

- BigPay works closely with AirAsia MOVE for user acquisition by making payment on BigPay a key feature on the app.

- On the revenue side, BigPay is focused on building (and nudging users towards existing) features with positive unit economics, which will subsequently increase its average revenue per user. By encouraging users to spend within the existing ecosystem through AirAsia Move and BigPay, users will be rewarded with points that can be redeemed for subsequent purchases.

**Note: Based on BNM's exchange rate of USD1 : RM4.59, being the middle rate published on BNM's website as at 31 December 2023.*

(iii) Teleport

Teleport plans to expand its business by leveraging on AirAsia's extensive air network, the capacity provided by its own recently inducted freighters as well as numerous strategic partnerships. Teleport aims to become a major integrated logistic solution provider and partner.

Rising disposable income, growing number of internet users as well as the proliferation of mobile devices is expected to drive the growth of e-commerce in Southeast Asia, which will result in the growth of demand for small parcel delivery services and in turn, will drive the growth of the logistics industry.

Teleport has set a target to deliver 2 million parcels daily by the end of 2025, from 170,000 daily in the first half of 2024. To serve this volume, Teleport will expand its capacity, not just through AirAsia belly space, but also through additional third party airline capacity via Air Partners. Teleport Group's key advantage is AirAsia's extensive air network and the ability to combine it with complementary freighter and Air Partners capacity to extend network reach and service offering.

Whilst Teleport Group reported an audited LAT of USD0.7 million (equivalent to approximately RM3.1 million*) for the FYE 31 December 2023, Teleport Group's LAT has reduced significantly from USD15.1 million (equivalent to approximately RM66.2 million) for the FYE 31 December 2022 due to better performance in its freight and delivery services as detailed out in Section 7.3 of Part A of this Circular.

**Note: Based on BNM's exchange rate of USD1 : RM4.59, being the middle rate published on BNM's website as at 31 December 2023.*

(iv) Brand AA

As the AirAsia brand owner, Brand AA is a major income contributor to our Group with audited PAT of RM12.2 million for the FYE 31 December 2023. The revenue and profitability of Brand AA is expected to increase significantly given that Brand AA had only began recognising royalty fee from 1 July 2023 pursuant to the completion of the IP Assignment Agreement. The royalty income is based on a royalty rate of 1% on all revenue (including fares and ancillary income) of the AOCs and TAAX in relation to the AOCs' aviation business operations, whereas AAX pays a royalty fee of 0.5% on its revenue. Accordingly, the key revenue driver for Brand AA is the increase in passenger revenue and ancillary income of the AOCs, AAX and TAAX through their increase in flight frequencies and expansion of routes.

In addition to the above, Brand AA plans to leverage on the intellectual properties built within our Group to create new co-branding and business opportunities. Brand AA intends to strategically expand beyond the AirAsia Brand into the general retail landscape through brand partnerships, acquisition and merchandising, which are expected to fuel its continued growth.

ADE, AirAsia MOVE, Brand AA and Santan are poised to be the primary drivers of revenue and profit for our Group. While ADE ensures a stable income base, AirAsia MOVE, Teleport, Santan and Brand AA provide opportunities for high-growth revenue streams in the near to medium term. Our Group will continue to navigate our future plans and direction to significantly reduce the losses of BigPay while providing Teleport the opportunity to become profitable in the near future.

Taking cognisance of the future direction, outlook and prospects of our Group, we believe we are on a strong footing for growth and profitability.

(Source: Our management)

8. INDUSTRY OVERVIEW AND PROSPECTS

8.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 5.9% in the second quarter ("**Q2**") of 2024, driven by stronger private expenditure and positive turnaround in exports.

On the demand side, higher domestic demand continued to support the growth of the economy for the Q2 2024. Private consumption increased by 6.0% supported by positive labour market conditions and larger policy support. Private investment increased by 12.0% robust capacity expansion by businesses, especially in the manufacturing and services sectors. Public consumption increased by 3.6% supported by government spending on emolument and supplies & services. Public investment increased by 9.1% from continued expansion in fixed assets spending by the government and public corporations. On the external front, net exports increased by 3.4% amid higher external demand and the global tech upcycle.

On the supply side, the services, construction, mining and agriculture sectors remained supportive of growth. The services sector grew by 5.9% underpinned by broad-based improvement across consumer- and business-related services. The construction sector grew by 17.3% mainly attributable to higher activities particularly in the civil engineering and special trade subsectors. The mining sector grew by 2.7% mainly due to lower growth in oil and gas subsector following production disruption in May 2024. The agriculture sector grew by 7.2% mainly due to stronger production in oil palm and fisheries subsectors. Meanwhile, the manufacturing sector recorded a growth of 4.7% given the higher growth across export- and domestic-oriented industries.

Growth of the Malaysian economy in the second half of 2024 is expected to be driven mainly by firm expansions in investment activity and resilient household spending, with larger support from exports recovery. Investment activities will be supported by continued implementation of multi-year projects in both the private and public sectors and augmented by the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of approved investments. Private consumption will be supported by sustained growth in income along with larger policy measures. Higher spillover from global tech upcycle will lift exports while tourist arrivals and spending are expected to improve further.

The growth outlook faces downside risks from weaker-than-expected external demand, further escalation of geopolitical conflicts and lower-than-expected commodity production. Nevertheless, greater spillover from the tech upcycle, more robust tourism activities, and faster implementation of new and existing investment projects provide upside to Malaysia's economic outlook.

(Source: Bank Negara Malaysia Quarterly Bulletin Second Quarter 2024)

8.2 Overview and outlook of the aviation industry

Industry-wide air passenger traffic, measured in RPK, grew 8.0% year-on-year in July 2024, outpacing the 7.4% year-on-year growth in ASK. International and domestic traffic saw 10.1% and 4.8% growth over the same period, respectively. Passenger load factor recorded a peak of 86%, reflecting strong air travel demand.

<u>Air Passenger Market in Detail</u>

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

(Source: Air Passenger Market Analysis July 2024 and press release dated 29 August 2024, International Air Transport Association)

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

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

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

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

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

In 2024, MAVCOM anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting a growth between 10% and 25% year-on-year. This forecast signifies a recovery of up to 98% of 2019 levels. Domestic and international travel to China and the South East Asian region will influence the recovery momentum. Downside risks include heightened jet fuel prices, depreciation of the Ringgit, delays in aircraft deliveries, and manpower-related issues.

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

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

In the third quarter of 2023, it was reported that AAB continued to have the largest local airline market share of 37.4% with AAX at 3.8%. Malaysia Airlines, Batik Air and Firefly reported market shares of 16.5%, 6.8% and 4.5%, respectively.

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

Kuala Lumpur airport (KUL) is the most connected airport in Asia Pacific. KUL does not have the highest volume of connections by comparison to some of the biggest hubs in the index, but it does have a high ratio of connections to destinations served, which is what pushes it up the rankings to 2nd this year, from 12th place in 2019 and 4th place in 2023. AirAsia is the dominant carrier at the airport, operating 35% of KUL's flights in the twelve months to August 2024.

In the low-cost carrier Megahubs category, KUL ranks 1st, offering 14,583 possible low-cost connections across 137 destinations, while Manila (MNL) moves up into 2nd place this year overtaking Incheon (ICN), with a high ratio of connectivity to 97 destinations. The main airports in Bangkok, Suvarnabhumi Airport (BKK) and Don Muang Airport (DMK) rank 10th and 15th respectively. Thai AirAsia is the dominant carrier at DMK airport, operating 55% of DMK's flights in the twelve months to August 2024.

(Source: Megahubs 2024, OAG)

For the month of August 2024, AirAsia was the second largest carrier amongst 10 airlines in the Southeast Asian region by seat volume, with 2.6 million seats, while Thai AirAsia was the sixth largest carrier with 1.7 million seats. The competitors in the Southeast Asian region includes, but is not limited to, Lion Air, Vietnam Airlines and Vietjet, with 3.1 million, 2.4 million and 2.1 million seats respectively.

(Source: Southeast Asia Aviation Market Data, OAG)

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The Thailand airline industry should see conditions return to their pre-COVID state by 2025, supported by an improving outlook for the global economy that will boost consumer spending power and demand for tourism services. On the domestic front, the Thai economy will benefit from the ongoing rebound in the tourism sector, while the government will help to maintain growth trends by rolling out stimulus measures targeting high potential consumer groups including long-term residents, the elderly, those traveling in support of their personal wellness, and individuals arriving for health tourism. Foreign arrivals are thus expected to increase, and to meet this increase in flights and passenger numbers, the government plans to upgrade airports and supporting infrastructure. At the same time, airlines will expand fleet sizes, lay on extra flights, and open up new routes as players look to maintain income and market share over the long term.

(Source: Our management)

Indonesia's aviation industry has several positive developments as it continues to recover post-pandemic:

- Strong domestic recovery: Domestic air travel is expected to reach pre-pandemic figures by 2024. This resurgence is driven by the increased mobility of the population and growing demand for domestic tourism;

- Government support: The Indonesian government has been actively supporting the aviation sector through various financial stimuli, including subsidies for airports and airlines, and assistance in the form of Public Service Obligations (PSO). These measures aim to reduce the financial burden on the industry and help operators maintain their services;

- Infrastructure enhancements: There have been improvements in airport infrastructure and air navigation systems, including extended operating hours for airports and optimizing the use of aircraft on busy routes. These changes are helping airlines meet rising passenger demand more efficiently; and

- Growth in international travel: While international travel is still recovering, it is projected to steadily improve, with a full recovery expected by 2025. This growth is bolstered by Indonesia's strategic location and its popularity as a tourism destination.

Overall, these factors highlight a positive outlook for Indonesia's aviation industry, with strong government backing and growing domestic demand laying the groundwork for a full recovery.

(Source: Our management)

In the first half of 2024, the Philippines' air travel industry demonstrated strong recovery. Domestic air travel grew 8% year-on-year to 15.8 million passengers. Cebu Pacific ("**CEB**") and its subsidiary CebGo still lead the domestic market with combined passengers of 8.14 million. Philippine Airlines ("**PAL**") and PAL Express flew a combined 4.68 million passengers while Philippines AirAsia Inc. carried 2.6 million passengers in the first half of 2024. International air travel grew 53% year-on-year to 13.75 million passengers from 8.96 million passengers. PAL remained the leader for international operations, flying a total of 2.94 million passengers during the first half of 2024, while CEB carried 2.74 million passengers and AirAsia, 698,949 passengers.

(Source: The Philippines' Civil Aeronautics Board)

Cambodia's economic recovery is largely underpinned by a revival of services and goods exports. Air transport activity in Cambodia is also gradually recovering as compared to 2019 before the outbreak of Covid-19 pandemic. Cambodia's newest and biggest airport opened to commercial operations in the province of Siem Reap in the country's northwest in October 2023. The Siem Reap-Angkor International Airport is a milestone for the country's aviation industry as it is the main gateway to one of the country's most popular tourist sites, the UNESCO-listed Angkor Archaeological Complex. Tourist arrivals, especially from ASEAN countries will likely increase, supported by the region's positive economic prospects.

(Source: Our management)

8.3 Prospects of AAX

As at the LPD, AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and does not own any aircraft.

The Proposed Disposals allow all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) to be housed under AAX to form the New Aviation Group. This allows the AAX Group to be part of an enlarged aviation group with award-winning airlines with over 22 years of established history and track record. The New Aviation Group will operate and provide a full spectrum of short, medium and long-haul low-cost air transportation services, with domestic flights and international flights from Malaysia, Thailand, the Philippines, Indonesia and Cambodia to numerous destination countries. The New Aviation Group is expected to maintain a total fleet of 242 aircraft with 209 aircraft in operation by the completion of the Proposals expected in early 2025 of which 3 aircraft are owned and the remaining aircraft are leased.

AAX Group will continue to adopt a business model that will enable it to offer low fares by maintaining low CASK, which has contributed to the past success of the AirAsia airlines. The ability of the AirAsia airlines to offer low fares and maintain low CASK is attributed to no-frills flights business model adopted, high aircraft utilisation, in-house and direct customer acquisition channels (i.e. www.airasia.com and the AirAsia MOVE Super App), efficient usage of data, technology and automation in all aspects of operations, i.e., a lean cost structure. The advantages to this business model include simplified operations, the ability to attract price-sensitive customers, flexibility in pricing as well as market penetration. However, the disadvantage associated with this business model includes potential customer experience issues.

The extensive network connectivity and high flight frequencies offered by the AirAsia airlines to be housed under AAX Group will allow the enlarged aviation group to capture the travel needs of a wide range of customers travelling within the South East Asia and Asia Pacific regions. It enables the airlines to leverage on each airline's routes and high flight frequencies to offer Fly-Thru flights whereby passengers can purchase connecting flights offered by the airlines for travels within the South East Asia and Asia Pacific regions. Therefore, it allows AAX Group to potentially capture a higher market share for air travel within the regions.

AAX Group will be led by a seasoned key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines to be housed under the enlarged aviation group. Upon completion of the Proposed Disposals, under the leadership of Bo Lingam as the Group Chief Executive Officer of AAX Group, the existing key senior management of the respective airlines will carry on their existing roles and responsibilities to ensure smooth daily operations including the execution of future plans and business strategies under the enlarged aviation group.

As the economic activities and supply chain of the aviation industry normalise, the aviation industry in Malaysia and Asia Pacific region is forecasted to recover close to their respective pre-COVID-19 levels by 2024. The recovery and growth of the industry are also expected to be fuelled by the granting of visa-free travel to Malaysia for up to 30 days for tourists from India and China by the government of Malaysia effective 1 December 2023 until 31 December 2024 and 31 December 2026 respectively, as well as the declaration of Visit Malaysia Year 2026. These are expected to drive the demand for air travel to and from Malaysia, China, India and around the Asia Pacific countries. In conjunction with Visit Malaysia Year 2026, the Ministry of Tourism, Arts and Culture, Malaysia is expecting RM147.1 billion in income from 35.6 million tourists in 2026, an increase at compound annual growth rate of approximately 8.0% and 4.5% respectively from pre-COVID-19 levels of RM86.1 billion in income and 26.1 million tourists in 2019.

With the respective industry track record of each airline to be housed under the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation Group, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward through the following strategies and plans:

- Over the next 3 years, the airlines within the New Aviation Group will focus on increasing their flight frequencies and expand their fleet of aircraft accordingly to capture the growing demand for air travel and maintain their positions as one of the market leaders in the respective regions where the airlines operate in. ‘AirAsia Cambodia’, the newly established airline of AAAGL, is utilising 2 A320 aircraft based at Phnom Penh International Airport to serve domestic flight operations, covering Phnom Penh, Siem Reap, and Sihanoukville. Subsequently, the New Aviation Group will assess the potential of expanding its coverage to new destinations.

- The New Aviation Group intends to capitalise on the growing prospects of the aviation industry by increasing its passenger volume which will then contribute to the growth in its market share. This is in line with the New Aviation Group’s strategies as it envisages to maintain its position as one of the market leaders in the regions which its airlines operate in as well as to maintain and grow its market share in the Asia Pacific region. The New Aviation Group also intends to increase its revenue and grow its market share in Cambodia through its latest airline, ‘AirAsia Cambodia’ which commenced operations in May 2024.

- Further growth in revenue from ancillary services to enhance the airlines’ financial performance, through pricing optimisation and automation, product innovation and marketing expansion, personalised marketing and strategic collaborations and partnerships with the AirAsia Group to increase cross-selling opportunities.

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

The future growth and success of the New Aviation Group will be backed by an established AirAsia Ecosystem. The New Aviation Group will gain stronger leverage and bargaining power to secure continuous usage of the “AirAsia” brand which is an established brand in the aviation industry, and to secure continuous collaborations and comprehensive support services from the AirAsia Ecosystem. The New Aviation Group will also have the requisite capacity for its growth ambitions. With all of its upcoming aircraft delivery structured under operating leases by way of sale-and-leaseback arrangements with lessors, the New Aviation Group would gain the flexibility in its future fleet management and utilisation, without the risks and costs of ownership, effectively contributing to the lean and savvy nature of its business model.

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

(Source: The management of AAX)

9. RISK FACTORS OF THE PROPOSALS

In view that our Group and AAX are involved in the aviation industry, the Proposals are not expected to materially change the risk profile of our Group’s business. Save as disclosed below which are by no means exhaustive, our Board (save for the Interested Directors) does not foresee any other additional risks arising from the Proposals given that our Group is already involved in the aviation industry.

9.1 Non-completion of the Proposals

The completion of the Proposals is subject to the approvals as set out in Section 11 of Part A of this Circular being obtained. In the event any of the approvals are not obtained, our Company and AAX will not be able to complete the Proposals and all the potential benefits arising therefrom will not materialise.

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

The completion of the AAAGL SSPA and AAB SSPA are also subject to AAX completing the AAX Proposed Private Placement. The market price of AAX Shares may be influenced by, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions. There can be no assurance that the AAX Proposed Private Placement could be successfully completed and as such, the Proposals may not be completed.

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

9.2 Contractual risk

Our Company has provided, and are subject to, certain representations, warranties and undertakings, in favour of AAX as set out in the SSPAs. In this respect, our Company may be subject to claims in accordance with the terms and conditions of the SSPAs in the event of any breach of any such representations, warranties and undertakings given by our Company. There can be no assurance that such claim amount will not materially impact the financial performance of our Group. In this regard, our Company will endeavour to ensure compliance with our obligations under the SSPAs in order to minimise the risk of any breach of such representations, warranties or undertakings given in the SSPAs.

The SSPAs may be terminated at any time prior to the completion of the Proposed Disposals in any of the following events:

(i) our Company or AAX, as the case may be, becomes aware that the other party's warranties was untrue or inaccurate;

(ii) any inconsistency with the warranties given by either AAX or our Company, as the case may be, is discovered;

(iii) an occurrence of a Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix IV or Note (1) to Section 5(iii) of Appendix V of this Circular); or

(iv) an occurrence of any other breach on the part of either our Company or AAX of the terms of the SSPAs.

9.3 Capital market risk

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

9.4 Lower gains arising from the Proposed AAAGL Disposal

The reduction in the effective ownership in AAAGL via our shareholding in AAX means that our Company will no longer have control over AAAGL as a subsidiary. Instead, our Company will hold its remaining investment in AAAGL at fair value.

The gain arising from the Proposed AAAGL Disposal needs to be considered together with the effect of the Proposed Distribution. This gain is calculated by subtracting the net liabilities of AAAGL and the cost of disposal from the fair value of the consideration receivable for the Proposed AAAGL Disposal net of the Proposed Distribution to our Company's shareholders. The difference between the market price of AAX Shares upon the completion of the Proposed Disposal of AAAGL and issue price of RM1.30 per Consideration Share would affect this gain.

Our Company's interest in AAX is required to be remeasured based on its fair value on the actual AAAGL Completion Date (which is not known until a later date). In the event that the market price of AAX Shares falls below RM1.30 (being the Issue Price) on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal. On the contrary, should the market price of AAX Shares trade above RM1.30 on the AAAGL Completion Date, the net increase in value would contribute to an increased gain arising from the Proposed AAAGL Disposal. As such, the gain on disposal as at the actual AAAGL Completion Date could be materially different from that illustrated in the expected pro forma gain arising from the remeasurement of remaining interest in AAAGL and the pro forma effect of the Proposed AAAGL Disposal as disclosed in Section 2.9 and Section 10.2 of Part A of this Circular, respectively, and they should not be taken to represent the final gain on disposal.

For the avoidance of doubt, there will not be any impairment of goodwill arising from the Proposed Disposals.

9.5 Loss of contribution from AAAGL Group and AAB Group

AAAGL and AAB are our wholly-owned companies and we consolidate the earnings or losses of AAAGL Group and AAB Group. After the completion of the Proposed Disposals, our Company will cease to consolidate the earnings or losses of AAAGL Group and AAB Group.

Notwithstanding the above, our Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and is thereby expected to improve the shareholders' equity of our Group in our effort to regularise our financial conditions. The pro forma effects of the Proposals on the improvement to the NA and gearing of our Group based on the latest audited consolidated financial statements of our Company as at 31 December 2023 are set out in Section 10.2 of Part A of this Circular.

After the completion of the Proposed Disposals, our Group will focus on aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business of the New Aviation Group (which will be a pure aviation business that offers both long and short haul routes under the AirAsia brand name) and the synergistic benefits from the ecosystem of the services offered under the AirAsia brand name are expected to contribute positively to the remaining businesses and financial performance of our Group. The prospects of our Group are set out in Section 7.7 of Part A of this Circular.

9.6 Risk of AAX falling back into PN17 status

Upon completion of the Proposals and AAX's Proposed Corporate Exercises (as defined in Section 1 of Appendix I), our Company is expected to retain 18.48% of the enlarged total number of issued shares of AAX post completion of AAX's Proposed Corporate Exercises.

AAX was previously classified as a PN17 company until the upliftment of its PN17 status on 22 November 2023. There is no assurance that AAX will not trigger any prescribed criteria under Paragraph 2.1 of PN17 and be classified as a PN17 Issuer again following the completion of the Proposed Disposals in view that AAAGL and AAB were the major contributors to the decline in financial performance and financial position of our Company during the COVID-19 pandemic period.

With the respective industry track record of each airline to be housed under the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation Group as set out in Section 8.3 of Part A of this Circular, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward.

In addition, AAX will undertake the Proposed Private Placement of RM1,000.00 million to strengthen its financial position prior to completing the Proposed Disposals. Furthermore, one of the conditions precedent in the SSPAs requires that each of the AAAGL Group and AAB Group does not incur or record an aggregate loss exceeding RM50.00 million during the 3-month period immediately preceding the AAAGL Completion Date and AAB Completion Date respectively.

9.7 Dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options

Upon completion of the Proposals and subject to the approval of the shareholders of AAX, AAX is desirous to grant Garynma the AAX Subscription Options by way of the AAX Proposed Post-Completion Options. The AAX Subscription Options, as and when exercised, will result in the dilution of our Company's shareholdings in AAX. The extent of the dilution of our Company's shareholdings in AAX will depend on the number of AAX Shares subscribed by Garynma under the AAX Proposed Post-Completion Options.

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

For information purposes only, upon completion of the Proposals and the AAX Proposals, which include AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options, our Company is expected to retain 16.50% of the enlarged total number of issued shares of AAX post completion of the AAX Proposals assuming 885.0 million AAX Placement Shares are issued at an issue price of RM1.13, and the full subscription of the AAX Proposed Post-Completion Options after the completion of the AAX Proposed Private Placement.

Further details of the AAX Proposed Post-Completion Options are set out in Appendix I of this Circular.

10. EFFECTS OF THE PROPOSALS

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

Minimum Scenario	:	Based on the assumption that none of the outstanding RCUIDS are converted and the outstanding Warrants are exercised into new Shares prior to the Entitlement Date.
Maximum Scenario	:	Based on the assumption that all the outstanding RCUIDS and Warrants in our Company are converted and exercised into new Shares prior to the Entitlement Date.

Note: *The Minimum Scenario and Maximum Scenario do not take into account the outstanding ESOS Options, which were granted to selected eligible employees and executive directors of our Group on 3 August 2021 and are subject to the vesting conditions attached to the ESOS Options. As at the LPD, the vesting conditions attached to the ESOS Options have not been met. Accordingly, none of the outstanding ESOS Options will be exercised by the grantees prior to the Entitlement Date.*

10.1 Issued share capital and substantial shareholders' shareholdings

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

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	Amount (RM' 000)	No. of Shares ('000)	Amount (RM' 000)
Issued share capital as at the LPD	4,306,906	8,769,411	4,306,906	8,769,411
Add : Shares to be issued assuming all the outstanding RCUIDS are converted	-	-	890,503	667,878
Add : Shares to be issued assuming all the outstanding Warrants are exercised	-	-	649,670	649,670
Less : Reduction in the issued share capital pursuant to the Proposed Distribution	-	(2,233,846)(1)	-	(1)(2,233,846)
Resultant issued share capital	**4,306,906**	**6,535,565**	**5,847,079**	**7,853,113**

Note:

(1) For the purpose of illustration in the pro forma effects above, the reduction in the issued share capital pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares of up to and including the LPD.

The Proposals will not have any effect on the substantial shareholders' shareholdings in the Company as the Proposals do not involve any issuance of new Shares.

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10.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of our Company as at 31 December 2023 and assuming that the Proposals had been effected on that date, the pro forma effects of the Proposals on the NA per Share and gearing of our Group are as follows:

Minimum Scenario

	Audited as at 31 December 2023	(I) After the Proposed AAAGL Disposal and Proposed Distribution[(2)]	(II) After (I) and the Proposed AAB Disposal[(3)]
	RM'million	**RM'million**	**RM'million**
Share Capital	8,711.7	6,477.9	6,477.9
Merger Deficit	(5,507.6)	(5,507.6)	-
Other Reserves	138.7	128.3	110.1
Foreign Exchange Reserve	217.1	163.2	(59.9)
Accumulated Losses	(12,322.0)	(8,287.3)	(5,878.7)
Shareholders' equity/ NA	**(8,762.1)**	**(7,025.5)**	**649.4**
Number of ordinary shares in issue ('million)	4,254.58	4,254.58	4,254.58
NA per Share (RM)	(2.06)	(1.65)	0.15
Total borrowings (RM'million)	24,180	17,784	1,734
Gearing ratio (times)	[(1)]N/A	N/A	2.67

Notes:

(1) During the FYE 31 December 2023, our Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as our Group has been relying on debt compared to equity to finance our Group's operations.

(2) Adjusted to incorporate the following effects of the Proposed AAAGL Disposal and Proposed Distribution:

(a) the share consideration received for the Proposed AAAGL Disposal of approximately RM3.0 billion. For the purpose of illustration in the pro forma effects above, the purchase consideration was illustrated at approximately RM3.0 billion which was based on the issue price of each Consideration Share of RM1.32, being the 5-day VWAP of AAX Shares up to and including the LPD;

(b) the deconsolidation of AAAGL from our Group;

(c) for the purpose of illustration in the pro forma effects above, the reduction in the issued share capital pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares up to and including the LPD;

(d) the decrease in accumulated losses is due to the pro forma gain arising from the remeasurement of remaining interest of our Company in AAAGL of RM3.6 billion and the transfer of AAAGL's other reserves to accumulated losses of RM428.7 million; and

(e) the reduction in total borrowings is due to the derecognition of the total borrowings of AAAGL Group of RM6.4 billion as at 31 December 2023 pursuant to the Proposed AAAGL Disposal;

(3) *Adjusted to incorporate the following effects of the Proposed AAB Disposal:*

(a) *the Debt Settlement of RM3.8 billion;*

(b) *the deconsolidation of AAB from our Group;*

(c) *the deconsolidation of merger deficit arising from the acquisition of AAB by our Company previously;*

(d) *the decrease in accumulated losses is due to the pro forma gain arising from the Proposed AAB Disposal of RM7.7 billion and transfer of AAB's other reserves to accumulated losses of RM241.3 million, which is offset by the reclassification of merger deficit of RM5.5 billion; and*

(e) *the reduction in total borrowings is due to the derecognition of the total borrowings of AAB Group of RM16.0 billion as at 31 December 2023 pursuant to the Proposed AAB Disposal;*

(4) *The estimated transaction costs for the Proposals amounted to RM15.52 million comprising professional fees of RM15.25 million, fees to authorities of RM0.05 million, EGM costs of RM0.10 million, printing and advertisement costs of RM0.10 million and miscellaneous expenses of RM0.02 million.*

Maximum Scenario

	Audited as at 31 December 2023	**(I) Assuming all the outstanding RCUIDS and Warrants are exercised(2)**	**(II) After (I) and the Proposed AAAGL Disposal and Proposed Distribution(4)**	**(III) After (II) and the Proposed AAB Disposal(5)**
	RM'million	**RM'million**	**RM'million**	**RM'million**
Share Capital	8,711.7	10,068.5	7,834.7	7,834.7
Merger Deficit	(5,507.6)	(5,507.6)	(5,507.6)	-
Other Reserves	138.7	59.3	49.0	30.7
Foreign Exchange Reserve	217.1	217.1	163.2	(59.9)
Accumulated Losses	(12,322.0)	(12,250.3)	(8,215.7)	(5,807.0)
Shareholders' equity/ NA	**(8,762.1)**	**(7,413.0)**	**(5,676.4)**	**1,998.5**
Number of ordinary shares in issue ('million)	4,254.58	(3) 5,847.08	(3) 5,847.08	(3) 5,847.08
NA per Share (RM)	(2.06)	(1.27)	(0.97)	0.34
Total borrowings (RM'million)	24,180	24,180	17,784	1,734
Gearing ratio (times)	(1)N/A	(1)N/A	N/A	0.87

Notes:

(1) *During the FYE 31 December 2023, our Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as our Group has been relying on debt compared to equity to finance our Group's operations.*

(2) *Adjusted to incorporate the following effects of the conversion and exercise of all outstanding RCUIDS and Warrants as at 31 December 2023:*

(a) *the reduction of approximately RM23.2 million RCUIDS reserve as a result of the conversion of all outstanding RCUIDS; and*

(b) *the reduction of approximately RM56.2 million Warrants reserve as a result of the exercise of all outstanding Warrants.*

(3) *Assuming all the outstanding 942,826,785 RCUIDS as at 31 December 2023 are converted at the conversion price of RM0.75 per RCUIDS into 942,826,785 new Shares and all outstanding 649,670,148 Warrants as at 31 December 2023 are exercised at the exercise price of RM1.00 per Warrant into 649,670,148 new Shares before the Entitlement Date.*

(4) *Adjusted to incorporate the following effects of the Proposed AAAGL Disposal and Proposed Distribution:*

(a) *the share consideration received for the Proposed AAAGL Disposal of approximately RM3.0 billion. For the purpose of illustration in the pro forma effects above, the purchase consideration was illustrated at approximately RM3.0 billion, which is based on the issue price of each Consideration Share of RM1.32, being the 5-day VWAP of AAX Shares up to and including the LPD;*

(b) *the deconsolidation of AAAGL from our Group;*

(c) *For the purpose of illustration in the pro forma effects above, the reduction in the issued share capital pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares up to and including the LPD;*

(d) *the decrease in accumulated losses is due to the pro forma gain arising from the remeasurement of remaining interest of our Company in AAAGL of RM3.6 billion and the transfer of AAAGL's other reserves to accumulated losses of RM428.7 million; and*

(e) *the reduction in total borrowings is due to the derecognition of the total borrowings of AAAGL Group of RM6.4 billion as at 31 December 2023 pursuant to the Proposed AAAGL Disposal;*

(5) *Adjusted to incorporate the following effects of the Proposed AAB Disposal:*

(a) *the Debt Settlement of RM3.8 billion;*

(b) *the deconsolidation of AAB from our Group;*

(c) *the deconsolidation of merger deficit arising from the acquisition of AAB by our Company previously;*

(d) *the decrease in accumulated losses is due to the pro forma gain arising from the Proposed AAB Disposal of RM7.7 billion and transfer of AAB's other reserves to accumulated losses of RM241.3 million, which is offset by the reclassification of merger deficit of RM5.5 billion; and*

(e) *the reduction in total borrowings is due to the derecognition of the total borrowings of AAB Group of RM16.0 billion as at 31 December 2023 pursuant to the Proposed AAB Disposal.*

(6) *The estimated transaction costs for the Proposals amounted to RM15.52 million comprising professional fees of RM15.25 million, fees to authorities of RM0.05 million, EGM costs of RM0.10 million, printing and advertisement costs of RM0.10 million and miscellaneous expenses of RM0.02 million.*

10.3 EPS

The pro forma effects of the Proposals on the consolidated EPS of our Company assuming the Proposals had been effected at the beginning of the FYE 31 December 2023, is illustrated as follows:

	Audited for the FYE 31 December 2023	After the Proposals	
		Minimum Scenario	Maximum Scenario
	RM'million	RM'million	RM'million
PATAMI	336.8	336.8	336.8
Less: PATAMI of AAAGL Group for the FYE 31 December 2023	-	(1,137.2)	(1,137.2)
Less: PATAMI of AAB Group for the FYE 31 December 2023	-	(3,620.9)	(3,620.9)
Add: Pro forma gain arising from remeasurement of remaining interest in AAAGL for the Proposed AAAGL Disposal based on the net liabilities of AAAGL as at 1 January 2023[(1)]	-	6,976.9	6,976.9
Add: Pro forma gain arising from Proposed AAB Disposal based on the net liabilities of AAB as at 1 January 2023[(2)]	-	11,295.8	11,295.8
PATAMI	**336.8**	**13,851.4**	**13,851.4**
Weighted average no. of Shares in issue ('million)	4,187.40	4,187.40	[(3)] 5,779.90
Basic EPS (RM)	0.08	3.31	2.40

Notes:

(1) *The pro forma gain arising from remeasurement of remaining interest in AAAGL for the Proposed AAAGL Disposal based on the net liabilities of AAAGL as at 1 January 2023 (being the beginning of the FYE 31 December 2023) is as follows:*

	RM'million
Fair value of AAAGL Disposal Consideration	*3,046.15*
Add: Net liabilities of AAAGL as at 1 January 2023 [(a)]	*3,945.86*
Less: Derecognition of goodwill in AAAGL in our Company	*(7.33)*
Less: Transaction costs for the Proposed AAAGL Disposal	*(7.76)*
Pro forma gain for the Proposed AAAGL Disposal	***6,976.92***

Sub-note:

(a) The difference between the pro forma gain from remeasurement of remaining interest in AAAGL for the Proposed AAAGL Disposal of RM3,605.9 million (based on cut-off of 31 December 2023) as disclosed in Section 2.9 of Part A of this Circular and the aforementioned pro forma gain for the Proposed AAAGL Disposal of RM6,976.9 million (based on 1 January 2023, being the beginning of the FYE 31 December 2023) of approximately RM3,371.0 million was due to the PATAMI of AAAGL Group for the FYE 31 December 2023 amounting to RM1,137.2 million and the value of the Distribution Shares amounting to RM2,233.8 million.

(2) The pro forma gain arising from the Proposed AAB Disposal based on the net liabilities of AAB as at 1 January 2023 (being the beginning of the FYE 31 December 2023) is as follows:

	RM'million
AAB Disposal Consideration	*3,800.00*
Add: Net liabilities of AAB as at 1 January 2023 [(a)]	*7,503.56*
Less: Transaction costs for the Proposed AAB Disposal	*(7.76)*
Pro forma gain on disposal of AAB	***11,295.80***

Sub-note:

(a) The difference between the pro forma gain on the Proposed AAB Disposal of RM7,674.9 million (based on cut-off of 31 December 2023) as disclosed in Section 3.5 of Part A of this Circular and the aforementioned pro forma gain on the Proposed AAB Disposal of RM11,295.8 million (based on 1 January 2023, being the beginning of the FYE 31 December 2023) of RM3,620.9 million was due to the PATAMI of AAB Group for the FYE 31 December 2023 of RM3,620.9 million.

(3) Assuming all the outstanding 942,826,785 RCUIDS as at 31 December 2023 are converted at the conversion price of RM0.75 per RCUIDS into 942,826,785 new Shares and all outstanding 649,670,148 Warrants as at 31 December 2023 are exercised at the exercise price of RM1.00 per Warrant into 649,670,148 new Shares before the completion of the Proposals.

10.4 Convertible Securities

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

10.4.1 RCUIDS

As at the LPD, there are 890,503,338 RCUIDS which remain in issue and are convertible into new Shares at a conversion price of RM0.75. The Proposed Distribution may give rise to an adjustment to the conversion price to the RCUIDS and any such adjustments shall be made in accordance with the relevant provisions of the RCUIDS Trust Deed to ensure that the status of the RCUIDS holders is not prejudiced as a result of the Proposed Distribution.

Paragraph 2(c)(i) of the Third Schedule of the RCUIDS Trust Deed stipulates that the existing conversion price of the outstanding RCUIDS shall be adjusted if and whenever our Company makes a Capital Distribution (as defined below) to the shareholders of our Company by way of a reduction of capital (but excluding any cancellation of capital which is lost or unrepresented by available assets), by multiplying the existing conversion price by the following fraction:

$$\frac{C - D}{C}$$

where,

C = the 5-day VWAP of Capital A Share on the Market Day immediately preceding the date on which Capital A Shares are traded on an "ex-entitlement basis" (as prescribed by Bursa Securities) for the Capital Distribution; and

D = the fair market value, in consultation with RHB Investment Bank and certification of the external auditors of our Company of that portion of the Capital Distribution attributable to 1 Capital A Share.

"**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Capital A Shares or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves. Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders of our Company as shown in the audited consolidated income statements of our Company.

The adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the Entitlement Date for the Proposed Distribution.

Solely for illustrative purposes only, the illustrative adjusted RCUIDS Conversion Price pursuant to the Proposed Distribution (based on the assumptions set out below) is as follows:

$$\text{Illustrative adjusted RCUIDS Conversion Price} = \text{Existing RCUIDS Conversion Price} \times \frac{C - D}{C}$$

$$= \text{RM}0.75 \times \frac{\text{RM}0.7838 - \left(\text{RM}1.3166 \times \frac{1{,}692{,}307{,}692}{4{,}306{,}905{,}831}\right)}{\text{RM}0.7838}$$

$$\mathbf{= RM0.26}$$

based on the following assumptions,

C = RM0.7838, being the 5-day VWAP of Capital A Shares up to and including the LPD; and

D = the fair market value of the portion of the Capital Distribution pursuant to the Proposed Distribution attributable to 1 Capital A Share. The fair value of 1 Distribution Share will be determined based on the 5-day VWAP of AAX Shares immediately prior to the Entitlement Date. For illustrative purposes, the fair value of 1 Distribution Share would be based on the 5-day VWAP of AAX Shares up to and including the LPD of RM1.3166 multiplied by the total number of 1,692,307,692 Distribution Shares over the total number of 4,306,905,831 Capital A Shares in issue.

Accordingly, the illustrative RCUIDS Conversion Ratio based on the illustrative adjusted RCUIDS Conversion Price is as follows:

$$\text{Illustrative RCUIDS Conversion Ratio} = \frac{\text{Nominal value of RCUIDS}}{\text{Illustrative adjusted RCUIDS Conversion Price}}$$

$$= \frac{\text{RM0.75}}{\text{RM0.26}}$$

$$= 2.8846$$

= 288 new Capital A Shares for every 100 RCUIDS

In summary, the illustrative adjustments to the RCUIDS Conversion Price and RCUIDS Conversion Ratio pursuant to the Proposed Distribution is as follows:

	Before illustrative adjustment	**After illustrative adjustment**
RCUIDS Conversion Price	RM0.75	RM0.26
RCUIDS Conversion Ratio	100 new Capital A Share for every 100 RCUIDS	288 new Capital A Shares for every 100 RCUIDS

10.4.2 Warrants

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

Paragraph 6.3(c)(1) of Schedule 3 of the Warrants Deed Poll stipulates that the existing exercise price of the outstanding Warrants shall be adjusted if and whenever our Company makes a Capital Distribution to the shareholders of our Company by way of a reduction of capital (but excluding any cancellation of capital which is lost or unrepresented by available assets) in accordance with the following formula:

$$\frac{C - D}{C} \quad \text{x} \quad P$$

where,

P = the existing Warrant Exercise Price;

C = the 5-day VWAP of Capital A Share on the Market Day immediately preceding the date on which Capital A Shares are traded on an “ex-entitlement basis” (as prescribed by Bursa Securities) for the Capital Distribution; and

D = the fair market value, in consultation with RHB Investment Bank and certification of the external auditors of our Company of that portion of the Capital Distribution attributable to 1 Capital A Share.

The adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the Entitlement Date for the Proposed Distribution.

Solely for illustrative purposes only, the illustrative adjusted Warrant Exercise Price pursuant to the Proposed Distribution (based on the assumptions set out below) is as follows:

$$\text{Illustrative adjusted Warrant Exercise Price} = \frac{C - D}{C} \times P$$

$$= \frac{RM0.7838 - \left(RM1.3166 \times \frac{1{,}692{,}307{,}692}{4{,}306{,}905{,}831} \right)}{RM0.7838} \times RM1.00$$

= RM0.34

based on the following assumptions,

P = RM1.00, being the existing Warrant Exercise Price;

C = RM0.7838, being the 5-day VWAP of Capital A Shares up to and including the LPD; and

D = the fair market value of the portion of the Capital Distribution pursuant to the Proposed Distribution attributable to 1 Capital A Share. The fair value of 1 Distribution Share will be determined based on the 5-day VWAP of AAX Shares immediately prior to the Entitlement Date. For illustrative purposes, the fair value of 1 Distribution Share would be based on the 5-day VWAP of AAX Shares up to and including the LPD of RM1.3166 multiplied by the total number of 1,692,307,692 Distribution Shares over the total number of 4,306,905,831 Capital A Shares in issue.

In summary, the illustrative adjustment to the Warrant Exercise Price pursuant to the Proposed Distribution is as follows:

	Before illustrative adjustment	**After illustrative adjustment**
Warrant Exercise Price	RM1.00	RM0.34

10.4.3 ESOS Options

As at the LPD, there are 96,100,000 outstanding ESOS Options in our Company. There has been no Share Grant Award since the commencement of LTIS on 2 August 2021 up to and including the LPD.

The outstanding ESOS Options were granted on 3 August 2021, which may be vested from 31 August 2024 onwards, subject to the achievement of certain performance conditions as may be determined by the LTIS committee in accordance with the terms and conditions of the LTIS. For clarity, none of the outstanding ESOS Options will be exercised by the grantees prior to the Entitlement Date.

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

For the avoidance of doubt, there is no specific formula for adjustment set out in the LTIS By-Laws for variation in the capital structure of our Company during the LTIS period. Nevertheless, solely for illustrative purposes only, the illustrative adjustment to the ESOS Option Price as a result of the Proposed Distribution is as follows:

$$\frac{C - D}{C} \quad \times \quad \text{Existing ESOS Option Price}$$

where,

C = the 5-day VWAP of Capital A Share on the Market Day immediately preceding the date on which Capital A Shares are traded on an "ex-entitlement basis" (as prescribed by Bursa Securities) for the Capital Distribution; and

D = the fair market value of that portion of the Capital Distribution attributable to 1 Capital A Share.

The adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the Entitlement Date for the Proposed Distribution.

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Solely for illustrative purposes only, the illustrative adjusted ESOS Option Price pursuant to the Proposed Distribution (based on the assumptions set out below) is as follows:

$$\text{Illustrative adjusted ESOS Option Price} = \frac{C - D}{C} \times \text{Existing ESOS Option Price}$$

$$= \frac{RM0.7838 - \left(RM1.3166 \times \frac{1,692,307,692}{4,306,905,831}\right)}{RM0.7838} \times RM0.7425$$

= RM0.2524

based on the following assumptions,

C = RM0.7838, being the 5-day VWAP of Capital A Shares up to and including the LPD; and

D = the fair market value of the portion of the Capital Distribution pursuant to the Proposed Distribution attributable to 1 Capital A Share. The fair value of 1 Distribution Share will be determined based on the 5-day VWAP of AAX Shares immediately prior to the Entitlement Date. For illustrative purposes, the fair value of 1 Distribution Share would be based on the 5-day VWAP of AAX Shares up to and including the LPD of RM1.3166 multiplied by the total number of 1,692,307,692 Distribution Shares over the total number of 4,306,905,831 Capital A Shares in issue.

In summary, the illustrative adjustment to the ESOS Option Price pursuant to the Proposed Distribution is as follows:

	Before illustrative adjustment	**After illustrative adjustment**
ESOS Option Price	RM0.7425	RM0.2524

Notwithstanding the above, the LTIS committee shall seek our Board's approval prior to deciding on any adjustment to the ESOS Option Price due to the implementation of the Proposed Distribution.

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11. APPROVALS REQUIRED

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

(a) at least 75% of the total number of issued shares held by the non-interested shareholders of our Company present and voting either in person or by proxy at the forthcoming EGM;

(b) at least 75% of the non-interested holders of the RCUIDS at a RCUIDS holders meeting to be convened for the Proposals;

(c) the sealed order of the High Court of Malaya pursuant to Section 116 of the Act for the reduction in issued share capital pursuant to the Proposed Distribution;

(d) government entity, lenders/financiers or any third party, as may be necessary, being obtained by our (where applicable) Company, our Company's subsidiaries or the relevant entity within the AAAGL Group or AAB Group for the Proposed Pre-Completion Restructuring and/or the Proposals as set out below:

(i) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed Disposals; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed Disposals are carried into effect;

Note:

Section 54(1) of the MAVCOM Act states the following:

Mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.

Section 36T(1) of the CAAM Act (based on the CAAM (Amendment) Bill 2024) states the following:

Mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.

(ii) MAVCOM with regards to the proposed change in shareholding of AAB;

(iii) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(iv) financiers / lenders in respect of the RCUIDS as well as loan facilities granted to our Group;

(v) third parties in respect of certain aircraft lease as well as operational agreements entered into by our Group;

(vi) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX; and

(vii) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAAGL Target Entities and AAB Target Entities) in favour of lenders/financiers of the AAAGL Target Entities and AAB Target Entities shall be obtained before the AAAGL Completion Date and AAB Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;

(e) the non-interested shareholders of AAX at an EGM for the acquisition of AAAGL Equity Interest and AAB Equity Interest pursuant to the Proposed Disposals as well as for the AAX Proposed Private Placement whereby, as a condition precedent to the SSPAs, AAX shall raise RM1,000.0 million within the FYE 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to the AAX Proposed Private Placement;

(f) government entity, lenders/financiers or any third party, as may be necessary, being obtained by AAX or its subsidiaries for the Proposals as set out below:

(i) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed Disposals; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed Disposals are carried into effect;

(ii) Takeover Panel of Securities and Exchange Commission, Thailand in respect of the proposed exemption under the applicable takeover rules in Thailand to be sought by AAX from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by AAX on completion of the Proposed AAAGL Disposal;

(iii) Bursa Securities for the listing and quotation of 2,307,692,307 Consideration Shares and up to 1,000,000,000 new AAX Shares to be issued pursuant to AAX Proposed Private Placement on the Main Market of Bursa Securities;

The approval from Bursa Securities was obtained vide its letter dated 11 September 2024, subject to the following conditions:

No.	Conditions imposed	Status of compliance
(a)	AAX and Interpac, being the principal adviser for AAX for the AAX Proposals, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options;	To be complied
(b)	AAX or Interpac is required to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders in general meeting approving AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options;	To be complied

No.	Conditions imposed	Status of compliance
(c)	AAX and Interpac are required to inform Bursa Securities upon completion of AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options;	To be complied
(d)	AAX is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options are completed;	To be complied
(e)	AAX and Interpac are required to provide a written confirmation that the terms of the AAX Warrants are in compliance with Paragraph 6.54(3) of the Listing Requirements;	To be complied
(f)	Interpac is required to furnish Bursa Securities with details of the placees in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of the new shares to be issued pursuant to the AAX Proposed Private Placement;	To be complied
(g)	AAX must comply with the public security holding spread requirements pursuant to Paragraph 8.02(1) of the Listing Requirements at all times upon listing and quotation of the AAX Placement Shares, Consideration Shares and the new AAX Shares pursuant to the AAX Subscription Options respectively; and	To be complied
(h)	AAX is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the AAX Warrants and AAX Subscription Options respectively as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

(iv) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;

(g) any other relevant authorities and/or parties, if required.

The Proposed AAAGL Disposal and Proposed Distribution are inter-conditional upon each other. Save for the above, there are no other conditionality in respect of the Proposals.

For the avoidance of doubt, the Proposed AAAGL Disposal and Proposed AAB Disposal are not inter-conditional upon each other. Despite the non-interconditionality of the proposals, it is in the best interests of our Company to complete both the Proposed AAAGL Disposal and Proposed AAB Disposal and reap the benefits as disclosed in Section 6 of Part A of this Circular. Hence, the Proposed Disposals are still in line with the rationale of the Proposals.

However, in the event that the Proposed AAAGL Disposal is completed and the Proposed AAB Disposal is not completed for reasons beyond our control, we would not be able to recognise the gain on disposal in AAB Equity Interest as illustrated in Section 3.5 of Part A of this Circular. Likewise, in the event that the Proposed AAB Disposal is completed and the Proposed AAAGL Disposal is not completed for reasons beyond our control, we would not be able to recognise the gain on remeasurement of remaining interest in AAAGL as illustrated in Section 2.9 of Part A of this Circular and the Proposed Distribution would not materialise. In such situations, the improvement to the NA of our Group would be lesser to the extent of the pro forma gain on remeasurement of remaining interest arising from the Proposed AAAGL Disposal or the pro forma gain on disposal arising from the Proposed AAB Disposal as mentioned above and that would lead to us being further from regularising our financial condition.

Nevertheless, our Company will use our best efforts to complete the Proposed Disposals, including but not limited to rectifying any matters and/or re-negotiate the terms and conditions of the Proposed Disposals that may lead to such non-completion of any of the Proposed Disposals.

The Proposals are not conditional upon any other proposal undertaken or being undertaken by our Company.

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

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

(a) Tan Sri Anthony Francis Fernandes, the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB;

(b) Datuk Kamarudin bin Meranun, the Non-Independent Executive Chairman and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a Non-Independent Executive Director and major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB;

(c) Dato' Fam Lee Ee, the Senior Independent Non-Executive Director of our Company, is deemed interested in the Proposals by virtue of him being the Non-Independent Non-Executive Chairman of AAX;

(d) TLSB, a major shareholder of our Company, is deemed interested in the Proposals as TLSB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TLSB; and

(e) TASB, a major shareholder of our Company, is deemed interested in the Proposals as TASB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TASB.

The Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings.

The Interested Directors and the Interested Major Shareholders will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in our Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of our Company to be convened.

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The Interested Directors and the Interested Major Shareholders will ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in our Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of our Company to be convened.

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

	Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Sri Anthony Francis Fernandes	2,000,000	0.05	1,025,485,082[(a)]	23.81
Datuk Kamarudin bin Meranun	2,000,000	0.05	1,025,485,082[(a)]	23.81
Dato' Fam Lee Ee	-	-	-	-
TLSB	509,000,000	11.82	-	-
TASB	516,485,082	11.99	-	-

Note:

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

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

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

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

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

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

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

(i) On 2 November 2023, AAB had entered into a Passenger Charter and Ancillary Agreement with AAX where AAX will perform passenger charter and ancillary services in relation to the charter of the Malaysian Battalion (MALBATT) 850 forces to Beirut, Lebanon (vice versa) for the United Nations Interim Force in Lebanon's (UNIFIL) peacekeeping mission commencing from 1 October 2023 to 30 September 2026 for a contract sum of RM29,703,600; and

(ii) On 5 December 2023, Asia Aviation Capital Limited, a wholly-owned subsidiary of AAB had entered into an aircraft lease agreement with AAX, for the lease of an aircraft bearing manufacturer's serial number 1596 for a period of 1 year from delivery date of the aircraft for an estimated total contract value of RM30,542,306.73, inclusive of lease rental and maintenance reserves.

15. AUDIT COMMITTEE'S STATEMENT

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

(a) in the best interest of our Company;

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

(c) not detrimental to the interest of the minority shareholders of our Company.

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

(i) the rationale of the Proposals;

(ii) the salient terms of the SSPAs;

(iii) the basis of and justification for arriving at the AAAGL Disposal Consideration and AAB Disposal Consideration; and

(iv) the effects of the Proposals.

16. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors) after having considered all aspects of the Proposals, including the salient terms of the AAAGL SSPA and AAB SSPA, rationale and benefits of the Proposals, as well as the evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are fair and reasonable and in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

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17. INDEPENDENT ADVISER

The Proposals are deemed as related-party transactions pursuant to Paragraph 10.08 of the Listing Requirements. In addition, the Proposed Disposals are also regarded as Major Disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements. Our Company had on 27 March 2024 appointed PIVB to act as the Independent Adviser to undertake the following in relation to the Proposals:

(a) comment as to:

(i) whether the Proposals are fair and reasonable in so far as the non-interested shareholders of our Company are concerned; and

(ii) whether the Proposals are to the detriment of the non-interested shareholders of our Company,

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

(b) advise the non-interested shareholders of our Company whether they should vote in favour of the Proposals; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (a) and (b) above.

18. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save as disclosed below, there is no other corporate exercise which has been announced but has yet to be completed:

(a) the Proposals; and

(b) our Company had on 28 February 2024 announced that our Company proposes to undertake the following corporate proposals:

(i) our Company had entered into a conditional business combination agreement with CAPI, Aether Merger Sub Inc. ("**Merger Subsidiary**"), a wholly-owned subsidiary of CAPI incorporated as a Delaware corporation, Brand AA and Aetherium Acquisition Corp ("**GMFI**") for a business combination transaction involving:

(a) the transfer by our Company of our Company's equity interest in Brand AA to CAPI; and

(b) the merger between Merger Subsidiary and GMFI,

(collectively, the "**Proposed Business Combination**")

for a transaction consideration of USD1.15 billion (equivalent to approximately RM5.44 billion). Upon consummation of the Proposed Business Combination, CAPI is expected to become a publicly listed company on NASDAQ or the New York Stock Exchange.

(ii) a proposed distribution of up to 51.0% of the total consideration shares to be received pursuant to the Proposed Business Combination to the entitled shareholders of our Company based on their respective shareholdings on an entitlement date to be announced and determined later by way of distribution-in-specie via a proposed reduction and repayment of our share capital pursuant to Section 116 of the Act ("**Proposed SPAC Distribution**").

19. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the 4th quarter of 2024.

The tentative timetable for the implementation of the Proposals is set out below:

Date/Month	Events
14 October 2024	• Convening of the EGM to obtain the approval from the non-interested shareholders of our Company for the Proposals • Convening of the RCUIDS holders meeting to obtain the approval from the non-interested holders of the RCUIDS for the Proposals
October 2024	• Filing of application to seek the confirmation from the High Court of Malaya for the reduction of our Company's issued share capital under Section 116 of the Act pursuant to the Proposed Distribution
November 2024	• Confirmation from the High Court of Malaya for the reduction of our Company's issued share capital under Section 116 of the Act pursuant to the Proposed Distribution
December 2024	• Fulfilment of all the conditions precedent of the AAAGL SSPA and/or AAB SSPA • Announcement of the Entitlement Date for the Proposed Distribution • Entitlement Date for the Proposed Distribution
January 2025	• Completion of the Proposals

20. EGM

The forthcoming EGM will be conducted on a virtual basis through live streaming and online remote voting from the broadcast venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Service Sdn Bhd via its TIIH Online website at https://tiih.online on Monday, 14 October 2024 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

The Notice of the EGM together with the Proxy Form are enclosed in this Circular and can be downloaded from our Company's website at www.capitala.com or Bursa Securities' website at https://www.bursamalaysia.com.

21. ADDITIONAL INFORMATION

You are advised to refer to Part B of this Circular and the attached appendices for additional information.

Yours faithfully,
For and on behalf of our Board
CAPITAL A BERHAD

DATO' MOHAMED KHADAR BIN MERICAN
Independent Non-Executive Director

PART B

IAL FROM PIVB TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE "*DEFINITIONS*" SECTION AND CONTEXT OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSALS. NON-INTERESTED SHAREHOLDERS ARE ADVISED TO CAREFULLY READ THE CONTENTS OF THE IAL FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM PIVB, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSALS. THE IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM.

1. INTRODUCTION

On 8 January 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into a non-binding letter of offer with AAX for the proposed disposal by the Company of the following:

(i) its entire equity interest in AAAGL, a wholly-owned subsidiary of the Company; and

(ii) its equity interest in AAB, a wholly-owned subsidiary of the Company.

On 25 April 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company:

(a) on even date, entered into conditional share sale and purchase agreements with AAG for the proposed disposal by the Company of its entire equity interest in AAAGL and AAB, respectively; and

(b) proposes to undertake a distribution of consideration shares to be received for the proposed disposal of the Company's entire equity interest in AAAGL mentioned in item (a) above to the Entitled Shareholders by way of a reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act.

On 26 July 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into the AAAGL Supplemental SSPA and AAB Supplemental SSPA to amend and vary certain terms and conditions of the SSPAs. Pursuant to the AAAGL Supplemental SSPA and AAB Supplemental SSPA, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Disposal and Proposed AAB Disposal respectively, with effect from 26 July 2024.

On 4 September 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA, the Company shall, before the AAAGL Completion Date and AAB Completion Date, obtain the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by the Group (excluding AAAGL Group and AAB Group) in favour of lenders/financiers of the AAAGL Group and AAB Group.

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 12, Part A of the Circular, the Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements.

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

Accordingly, the Board (save for the Interested Directors) had on 27 March 2024, appointed PIVB as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company.

2. EVALUATION OF THE PROPOSALS

We have assessed and evaluated the Proposals to arrive at our conclusion and recommendation after taking into consideration the various factors as summarised below:

Area of evaluation	**PIVB's comments**
Rationale and benefits of the Proposals	**<u>Rationale and benefits of the Proposed Disposals</u>** • We note that the Proposed Disposals would allow the Group to concentrate its resources and skills towards more specialised areas which are supplemental to the aviation business. Such streamlining is expected to result in higher efficiencies and reduced redundancies as the aviation business is consolidated under AAX. Notwithstanding the above, we noted that the Entitled Shareholders of the Company are expected to continue to hold shares in the aviation business via AAX which is listed on the Main Market of Bursa Securities. Hence, upon the completion of the Proposed Disposals, the Entitled Shareholders will still be able to participate in the aviation business and benefit from its potential prospects. • The Proposed Disposals are also expected to result in greater clarity of investment between the Company and AAX thus allowing the capital market and potential investors to better ascertain the potential as well as the prospects of each entity and facilitate business-centric valuation of the separate entities. The Entitled Shareholders will also benefit from the diversification of their investment portfolios based on their respective shareholdings in the Company and AAX upon completion of the Proposals. This is expected to provide an avenue for the shareholders as well as potential investors to achieve their investment objectives. • The Group is expected to realise a pro forma gain from the Proposed AAB Disposal which will contribute positively to the Group's earnings. Further, we also noted that the Proposed Disposals of the indebted aviation business would allow the Group to improve its gearing position by reducing its total borrowing significantly from RM24,180.0 million to RM1,734.0 million. Upon completion of the Proposed Disposals, the NA per Share of the Group is expected to improve from NL per Share of RM2.06 to NA per Share of RM0.15, under the Minimum Scenario and NA per Share of RM0.34, under the Maximum Scenario. • The Entitled Shareholders of the Company will receive AAX Shares which is listed on the Main Market of Bursa Securities upon the completion of the Proposals. This would allow the Entitled Shareholders to maintain their investment in the aviation industry via their respective shareholdings in AAX.

Area of evaluation	PIVB's comments
Rationale and benefits of the Proposals ***(cont'd)***	**<u>Rationale and benefits of the Proposed Distribution</u>** • We note that the Proposed Distribution to be undertaken by the Company in conjunction with the Proposed AAAGL Disposal is to reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX while allowing clarity of investment in two distinct entities with different business activities. Additionally, this opportunity would allow Capital A investors to determine their level of exposure to two distinct entities with different business activities and potentially benefit directly from their future performance of the Company and AAX, which is expected to be a more streamlined entity consolidating the long-haul and short-haul routes under the AirAsia brand name. • We noted that the Entitled Shareholders are not required to pay for their entitlement to the Distribution Shares. For illustration purposes, based on the Issue Price and the formula to determine the number of Distribution Shares received, we noted that for every 1,000 Shares held by the Entitled Shareholders, they are expected to receive 392 new AAX Shares. On a side note, we noted that the theoretical ex-price of Shares will be adjusted downward upon the completion of the Proposed Distribution. Nonetheless, shareholders should note that the downward adjusted value would correspond to the proportionate value of AAX Shares to be received by the Entitled Shareholders pursuant to the Proposed Distribution. Premised on the above, we are of the opinion that the rationale and benefits of the Proposals are **<u>fair</u>** and **<u>reasonable</u>** and **<u>not detrimental</u>** to the interests of the non-interested shareholders. Please refer to Section 9 of this IAL for further details.
Evaluation of the Proposals	**<u>Basis and justification of the AAAGL Disposal Consideration</u>** • The AAAGL Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the rationale and benefits of the Proposals as well as the independent valuation on AAAGL conducted by DCAS. • We are of the opinion that the adjusted NAV adopted by DCAS in deriving its valuation of AAAGL is appropriate as it would reflect the fair value of the AOCs which are the main income generating companies with active operations of the AAAGL Group. Further, we are also of the opinion that the DCF method is appropriate in deriving the AOCs' fair value as the underlying value of the AOCs are likely to be derived from its future business operations. • As part of our evaluation of the DCF method, we have also computed the WACC for the AOCs and derived a valuation range of RM2,964.0 million to RM3,207.0 million for AAAGL, which is generally consistent with DCAS's valuation range of RM2,880.0 million to RM3,691.0 million for AAAGL.

Area of evaluation	**PIVB's comments**
Evaluation of the Proposals ***(cont'd)***	• We are of the opinion that the AAAGL Disposal Consideration of RM3,000.0 million is fair as it is within the AAAGL's valuation range derived by PIVB and ascribed by DCAS. **<u>Basis and justification of the AAB Disposal Consideration</u>** • The AAB Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the rationale and benefits of the Proposals as well as the independent valuation on AAB conducted by DCAS. • We are of the opinion that the DCF method (a commonly used method which takes into consideration, amongst others, the time value of money as well as future cash flow to be derived from the business over a specific period of time) adopted by DCAS in deriving the valuation range of AAB is appropriate as the underlying value of AAB is likely to be derived from its future business operations. • As part of our evaluation of the DCF method, we have also computed the WACC for AAB and derived a valuation range of RM3,762.0 million to RM4,215.0 million for AAB, which is generally consistent with DCAS's valuation range of RM3,721.0 million to RM4,602.0 million for AAB. • We are of the view that the AAB Disposal Consideration of RM3,800.0 million is fair as it is within the AAB's valuation range derived by PIVB and ascribed by DCAS. • We noted that the AAB Disposal Consideration will be satisfied by way of AAX's assumption of Capital A's debt due to AAB of RM3,800.0 million on the AAB Completion Date pursuant to the terms of the AAB SSPA. We are of the view that the method of settlement for the AAB Disposal Consideration is reasonable. **<u>Basis and justification for the Issue Price of the Consideration Shares</u>** • We noted that the Issue Price represents: (i) a discount ranging from RM0.05 to RM0.68 (3.70% to 34.34%) to the last transacted price of AAX Shares as at the Announcement LPD and the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the Announcement LPD; (ii) a premium of RM0.02 to RM0.09 (1.56% to 7.44%) to the last transacted price of AAX Shares as at the LTD and the five (5)-day and one (1)-month VWAP up to the LTD and a discount ranging from RM0.17 to RM0.68 (11.56% to 34.34%) over the three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LTD; and (iii) a discount of RM0.01 (0.76%) to the last transacted price of AAX Shares as at the LPD and a discount of RM0.02 (1.52%) over the five (5)-day VWAP up to the LPD. • We are of the view that the Issue Price of the Consideration Shares, part of which will be allotted and issued directly to shareholders of Capital A pursuant to the Proposed Distribution, is fair and not detrimental to the non-interested shareholders of Capital A. Please refer to Section 10 of this IAL for further details.

<table>
<tr><th>Area of evaluation</th><th>PIVB's comments</th></tr>
<tr><td>Evaluation of the salient terms of the SSPAs</td><td>We are of the opinion that the terms contained in the SSPAs are <u>reasonable</u> as far as the interests of Capital A are concerned and that the salient terms are <u>fair</u> and <u>reasonable</u> and are <u>not detrimental</u> to the interests of the non-interested shareholders of Capital A.

Please refer to Section 11 of this IAL for further details.</td></tr>
<tr><td>Effects of the Proposals</td><td>• The Proposals will not involve any issuance of new Capital A Shares and therefore will not have any effect on the substantial shareholders' shareholdings of the Company.

• The Group's NA per Share will increase from NL per Share of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and RM0.34 under the Maximum Scenario.

• The completion of the Proposals would result in a gearing ratio of 2.67 times and 0.87 times under the Minimum Scenario and Maximum Scenario, respectively.

• The pro forma basic EPS will increase from RM0.08 to RM3.31 under the Minimum Scenario and EPS of RM2.40 under the Maximum Scenario.

• We noted that, save for the following, the Company does not have any other convertible securities in issue as at the LPD:

(a) there are 890,503,338 RCUIDS which are convertible into new ordinary shares of the Company at a conversion price of RM0.75. The Proposed Distribution may result in an adjustment to the conversion price and we noted that such adjustments will be made in accordance with the relevant provisions of the RCUIDS Trust Deed to ensure the interest of RCUIDS holders will not be prejudiced as a result of the Proposed Distribution. Based on the total number of Distribution Shares of 1,692,307,692 and fair value of RM1.32 per Distribution Share, we noted that the RCUIDS Conversion Price will be adjusted from RM0.75 to RM0.26 and the Conversion Ratio from 100 new Capital A Share to 288 new Capital A Share for every 100 RCUIDS;

(b) there are 649,670,148 Warrants of the Company remain outstanding as at the LPD. The Proposed Distribution may result in an adjustment to the exercise price and we noted that such adjustments will be made in accordance with the Warrants Deed Poll to ensure the interest of the Warrants holders will not be prejudiced as a result of the Proposed Distribution. Based on the total number of Distribution Shares of 1,692,307,692 and fair value of RM1.32 per Distribution Share, we noted that the Warrant Exercise Price will be adjusted from RM1.00 being the existing Warrant Exercise Price to RM0.34; and

(c) there are 96,100,000 outstanding ESOS Options as at the LPD and there has been no Share Grant Award since the commencement of LTIS on 2 August 2021 up to and including the LPD. In the event the LTIS committee decides to make adjustments due to the implementation of the Proposed Distribution, any such adjustments shall be made in accordance with the relevant provisions of the terms and conditions of the LTIS. Based on the fair value of RM1.32 per Distribution Share, we noted that ESOS Option Price will be adjusted from the existing ESOS Option Price of RM0.7425 to RM0.2524.

Premised on the above, we are of the opinion that the pro forma effects of the Proposals are <u>not detrimental</u> to the interests of the non-interested shareholders of Capital A.

Please refer to Section 12 of this IAL for further details.</td></tr>
</table>

<table>
<tr><th>Area of evaluation</th><th>PIVB's comments</th></tr>
<tr><td>Risk factors of the Proposals</td><td>We have taken note of the risk factors in relation to the Proposals as set out in Section 9, Part A of the Circular.
We are of the view that the risk factors are common for transaction of such nature, especially when the consideration is satisfied via listed company's shares. Further, given the positive outlook in the aviation industry as set out in Section 14 of this IAL, we believe that the potential negative impact, if any, arising from the risks could be minimised. Notwithstanding the loss of contribution from AAAGL and AAB, the Company is expected to record a gain on remeasurement of the remaining interest in AAAGL and gain on disposal of AAB upon completion of the Proposed Disposals, thus improving the financial position of the Group. In addition, given the positive outlook of the aviation industry, this would bode well for the Group moving forward which will focus on the aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business.
We note that although measures will be taken by the Group to contain or mitigate the risks highlighted arising from the Proposals, no assurance can be given that the risks will not crystallise and give rise to material and adverse impact on the financial position and business of the Group as well as the investment in AAX held by Capital A and the Entitled Shareholders pursuant to the Proposed Distribution.
Please refer to Section 13 of this IAL for further details.</td></tr>
<tr><td>Industry outlook and prospects</td><td>The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle.
Over the next 20 years, the world passengers are expected to increase by 3.8% per year on average, resulting in over 4 billion additional passenger journeys in 2043 compared to 2023. European and North American markets will see a slower rise in demand of 2.3% and 2.7% per year respectively. Asia Pacific is anticipated to record the fastest rise in passenger numbers and to contribute to more than half of the net increase in global passenger numbers by 2043.
Upon completion of the Proposed Disposals, the AAX Group will house all the airline entities operating under the "AirAsia" brand to form the New Aviation Group. We note that such New Aviation Group will encompass short, medium and long-haul, low cost air transportation services. We also note that the AAX Group will continue to adopt a low-fare business model and will be led by seasoned key senior management. We also note that the AAX Group is anticipated to gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand and secure continuous support services from the AirAsia Ecosystem.</td></tr>
</table>

Area of evaluation	PIVB's comments
Industry outlook and prospects *(Cont'd)*	• The Management has implemented various future plans for the Retained Segments and in view of the outlook of the aviation industry in Malaysia, it augurs well for the Group and AAX to leverage on the anticipated increase in the number of air passengers in the world, via its respective distinct businesses. In view of the positive outlook of the Malaysian economy as well as the aviation industry in Southeast Asia, prospects of AAX, future plans and prospects of the Group, we are of the view that the prospects of the Group is expected to be favourable upon completion of the Proposed Disposals. Please refer to Section 14 of this IAL for further details.
Alternative bids	As at the LPD, the Board has not received any alternative bids for the disposal of AAAGL and AAB. Please refer to Section 15 of this IAL for further details.
Listing status of Capital A	• The Proposed Disposals are deemed as Major Disposal and the Company will be classified as an "Affected Listed Corporation" pursuant to Paragraph 8.03A(2) of the Listing Requirements post the completion of the Proposed Disposals. The Company is also classified as a PN17 Issuer. • The Company is required to, amongst others, regularise its condition within 12 months in accordance to PN17 as well as Paragraph 8.03 of the Listing Requirements, failing which, Bursa Securities may suspend the trading of its shares or delist the listed corporation. Nevertheless, we noted that the Retained Segments had recorded a revenue of RM2,211.91 million and a PAT of RM91.40 million for FYE 31 December 2023. Please refer to Section 16 of this IAL for further details.
Adequacy of financial resources of AAX	We noted that the Board is satisfied that AAX has sufficient financial resources to undertake the acquisition after taking into consideration the audited consolidated financial statements of AAX and the fact that no cash is being involved in the Proposed Disposals. Please refer to Section 17 of this IAL for further details.

3. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposals, we are of the opinion that the Proposals are ***fair*** and ***reasonable*** and ***not detrimental*** to the interests of the non-interested shareholders of Capital A.

Accordingly, we recommend that the non-interested shareholders of Capital A to ***vote in favour*** of the special resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

PUBLIC INVESTMENT BANK
大众投资银行

Registered Office:

27th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur

20 September 2024

To: The non-interested shareholders of Capital A Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF CAPITAL A BERHAD IN RELATION TO THE PROPOSALS

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1. PREAMBLE

This IAL is prepared for inclusion in the Circular in relation to the Proposals and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "*Definitions*" section, Part A of the Circular, except where the context otherwise requires or where otherwise defined herein. All references to "we", "us" and "our" in this IAL are to PIVB, being the Independent Adviser for the Proposals.

2. INTRODUCTION

On 8 January 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into a non-binding letter of offer with AAX for the proposed disposal by the Company of the following:

(i) its entire equity interest in AAAGL, a wholly-owned subsidiary of the Company; and

(ii) its equity interest in AAB, a wholly-owned subsidiary of the Company.

On 25 April 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company:

(a) on even date, entered into conditional share sale and purchase agreements with AAG for the proposed disposal by the Company of its entire equity interest in AAAGL and AAB, respectively; and

(b) proposes to undertake a distribution of consideration shares to be received for the proposed disposal of the Company's entire equity interest in AAAGL mentioned in item (a) above to the Entitled Shareholders by way of a reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act.

On 26 July 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company entered into the AAAGL Supplemental SSPA and AAB Supplemental SSPA to amend and vary certain terms and conditions of the SSPAs. Pursuant to the AAAGL Supplemental SSPA and AAB Supplemental SSPA, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Disposal and Proposed AAB Disposal respectively, with effect from 26 July 2024.

On 4 September 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA, the Company shall, before the AAAGL Completion Date and AAB Completion Date, obtain the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by the Group (excluding AAAGL Group and AAB Group) in favour of lenders/financiers of the AAAGL Group and AAB Group.

PUBLIC INVESTMENT BANK BERHAD (20027-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Level 27, Menara Public Bank 2, No. 78, Jalan Raja Chulan, 50200 Kuala Lumpur
Peti Surat 12154, 50768 Kuala Lumpur. Telephone: 03-20362800, 22683000 Facsimile: 03-20362860
(Wholly-owned subsidiary of Public Bank Berhad)

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 12, Part A of the Circular, the Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements.

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

Accordingly, the Board (save for the Interested Directors) had on 27 March 2024, appointed PIVB as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company.

The purpose of this IAL is to provide the non-interested shareholders of Capital A with an independent evaluation on the Proposals together with our recommendation on whether the non-interested shareholders should vote in favour or against the resolutions in relation to the Proposals at the forthcoming EGM, subject to the scope and limitations of our role and evaluation specified herein. The non-interested shareholders should nonetheless rely on their own evaluation of the merits of the Proposals before making a decision on the course of action to be taken.

THE NON-INTERESTED SHAREHOLDERS OF CAPITAL A ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

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

3. DETAILS OF THE PROPOSALS

3.1 Details of the Proposed AAAGL Disposal

The Proposed AAAGL Disposal entails the disposal by the Company of the AAAGL Equity Interest to AAX for the AAAGL Disposal Consideration which will be satisfied via the allotment and issuance of 2,307,692,307 new AAX Shares at the issue price of RM1.30 per Consideration Share, subject to the terms of the AAAGL SSPA.

Further details on the Proposed AAAGL Disposal are set out in Section 2, Part A of the Circular.

3.2 Details of the Proposed AAB Disposal

The Proposed AAB Disposal entails the disposal by the Company of the AAB Equity Interest to AAX for the AAB Disposal Consideration which will be satisfied by way of the Debt Settlement.

Prior to the completion of the Proposed Disposals, the Group will undertake the Proposed Pre-Completion Restructuring as follows:

(i) the sale and transfer by AAB to the Company of 57,072,850 AAX Shares owned by AAB which represents 12.77% of the issued shares of AAX for RM106.7 million or RM1.87 per AAX Share which is the last closing price of AAX Shares as at 31 December 2023, being the valuation date adopted by DCAS for the valuation of the AAB Target Entities. The AAX Stake Transfer is intended to be undertaken by the Company to avoid AAX as the purchaser of the AAB Equity Interest to hold its own shares;

(ii) the Company shall assume AAAGL's debt to AAB of RM2,820.6 million pursuant to the AAAGL Debt Novation to streamline and organise the AAAGL and AAB intercompany debt between them for clarity of valuation of AAAGL and AAB individually; and

(iii) subject to the receipt of the written consent from the relevant lenders/financiers of AAB, AAB shall declare a dividend of RM3,468.6 million to the Company, which is proposed to set off the aforesaid AAAGL Debt Novation and existing amount owing by AAAGL to be capitalised by the Company of RM648.0 million to settle the amount owing by the Company to AAB. For the avoidance of doubt, in the event the written consent from the relevant lenders/financiers of AAB for the proposed declaration of dividend by AAB is not obtained, the Proposed AAB Disposal will not be completed.

Further details on the Proposed AAB Disposal are set out in Section 3, Part A of the Circular.

3.3 Details of the Proposed Distribution

The Proposed Distribution entails the distribution of approximately RM2,200.00 million in value of the Consideration Shares to the Entitled Shareholders based on their respective shareholdings on the Entitlement Date by way of reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act. The number of Distribution Shares shall be fixed at 1,692,307,692 Consideration Shares, based on the Issue Price of RM1.30 per Consideration Share.

Further details on the Proposed Distribution are set out in Section 5, Part A of the Circular.

4. SOURCE OF INFORMATION

In preparing this IAL, PIVB has relied upon the following sources of information and documents:

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

(ii) the AAAGL SSPA and AAB SSPA, the AAAGL Supplemental SSPA and AAB Supplemental SSPA as well as the AAAGL Second Supplemental SSPA and AAB Second Supplemental SPA;

(iii) the Valuation Letter and DCAS' letter dated 10 September 2024;

(iv) other relevant information, documents, financial information, confirmations and/or representation furnished to us by the Board, management, and/or representatives of Capital A ("**Management**"); and

(v) other publicly available information.

5. LIMITATIONS TO THE EVALUATION OF THE PROPOSALS

We were not involved in any formulation or any deliberation and negotiation on the terms and conditions of the Proposals. The terms of reference of our appointment as the Independent Adviser to the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals are in accordance with the requirements set out in Paragraphs 10.08(2) and (3) and 10.11A(1)(b) and (3) of the Listing Requirements.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposals insofar as the non-interested shareholders are concerned based on the information and documents available to us as mentioned in Section 4 of this IAL.

We have made all reasonable enquiries to the Board and Management and have relied upon the information and documents as mentioned above. The Board has confirmed to us that all relevant material facts and information essential to the evaluation of the Proposals have been disclosed to us and has collectively and individually accepted full responsibility for the accuracy, validity and completeness of the information provided to us. After making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied that all relevant facts, information and representations that are necessary for our evaluation of the Proposals have been disclosed to us and that such information is sufficient, accurate, valid, reasonable, complete and there is no omission of any material facts, which would make any information provided to us incomplete, misleading or inaccurate.

In rendering our advice, we had taken note of pertinent factors, which we believe are necessary and of importance to our assessment of the Proposals and therefore of general concern to the non-interested shareholders of Capital A. As such:

(i) the scope of PIVB's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness and other implications of the Proposals only. Comments or points of consideration which may be commercially oriented are included for our overall evaluation as we deem it necessary for disclosure purposes to enable the non-interested shareholders of Capital A to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposals;

(ii) PIVB's views and recommendation as contained in the IAL only cater to the non-interested shareholders of Capital A at large and not to any non-interested shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and

(iii) we recommend that any individual non-interested shareholder or group of non-interested shareholders who is in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the LPD.

After the despatch of this IAL, PIVB will immediately notify the non-interested shareholders if, we become aware of the following:

(i) significant change affecting the information contained in this IAL;

(ii) there is reasonable ground to believe that the statements in this IAL are misleading or deceptive; or

(iii) there is a material omission in this IAL.

6. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

We confirm that there is no situation of conflict of interest that exists or are likely to exist in relation to our role as the Independent Adviser in connection to the Proposals. Other than our current appointment for the Proposals, we have not advised Capital A in the capacity of principal adviser nor independent adviser for any corporate exercise or having any professional relationship with Capital A within the past two (2) years preceding the LPD.

PIVB is a holder of the Capital Markets Services Licence issued by the Securities Commission Malaysia and is a participating organisation of Bursa Securities. Our credentials and experience where we had been appointed as an independent adviser since 2021 and up to the LPD include, amongst others, the following:

(i) proposed acquisition of substantially all of the assets and liabilities of Kuchai Development Berhad ("**KDB**") for a total consideration of up to RM275.47 million, which will be satisfied through the allotment and issuance of ordinary shares in Sungei Bagan Company (Malaya) Berhad, proposed exemption to KDB and persons acting in concert with it from the obligation to undertake a mandatory offer for all the remaining shares not already held by them upon completion of the proposed acquisition and proposed exemption to Kluang Rubber Company (Malaya) Berhad and person acting in concert with it from the obligation to undertake a mandatory offer for all the remaining shares not already held by them upon completion of the proposed distribution by KDB of all the consideration shares. Our independent advice letter was issued on 15 April 2024;

(ii) proposed disposal by Puncak Wangi Sdn Bhd, a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("**MRCB**"), of an office tower known as Menara CelcomDigi to Maybank Trustees Berhad, acting solely in the capacity as trustee for Sentral REIT, for a cash consideration of RM450 million and proposed subscription by MRCB of up to 34,568,734 new units in Sentral REIT pursuant to the proposed placement exercise to be undertaken by Sentral REIT. Our independent advice letter was issued on 9 October 2023;

(iii) proposed joint venture between AEON Credit Service (M) Berhad and AEON Financial Service Co., Ltd. to undertake the business of a digital Islamic bank. Our independent advice letter was issued on 29 September 2023;

(iv) proposed award of contract for engineering, procurement and construction works on part of an integrated petrochemical facility in Indonesia by PT Lotte Chemical Indonesia to Lotte Engineering & Construction Co., Ltd, a 43.8%-owned associate of Lotte Chemical Corporation, the major shareholder of Lotte Chemical Titan Holding Berhad. Our independent advice letter was issued on 1 December 2021;

(v) proposed transfer by Sungei Bagan Rubber Company (Malaya) Berhad of its entire 49% equity interest in Balland Properties Limited, held through its wholly-owned subsidiary, Springvale International Limited, and 9.44% equity interest in Kuchai Development Berhad, in exchange for 100% equity interest in Torbridge Holdings Limited held by The Nyalas Rubber Estates Limited at an agreed exchange value of RM32,166,047. Our independent advice letter was issued on 17 September 2021; and

(vi) proposed exemption to Yakin Setiamas Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory offer for the remaining ordinary shares in Mudajaya Group Berhad ("**Mudajaya**") ("**Mudajaya Share(s)**"), Warrants (as defined herein) and options under employees' share option scheme not already owned by them pursuant to the proposed renounceable rights issue of up to 668,885,366 new Mudajaya Shares ("**Right Share(s)**") on the basis of 1 Rights Share for every 1 existing Mudajaya Share held, together with up to 668,885,366 free detachable warrants in Mudajaya ("**Warrant(s)**") on the basis of 1 Warrant for every 1 Rights Share subscribed for at an issue price of RM0.22 per Rights Share held on the entitlement date, pursuant to Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions. Our independent advice letter was issued on 11 June 2021.

Premised on the foregoing, PIVB is capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals.

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7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

As set out in Section 12, Part A of the Circular, save as disclosed below, none of the Directors, major shareholder and/or persons connected with them has any interests, whether direct or indirect, in the Proposals:

		Direct		Indirect	
	Nature of interest	No. of Shares held	%	No. of Shares held	%
Interested Major Shareholders					
TLSB	• Major shareholder of the Company and a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun	509,000,000	11.82	-	-
TASB	• Major shareholder of the Company and a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun	516,485,082	11.99	-	-
Tan Sri Anthony Francis Fernandes	• Non-Independent Executive Director, Chief Executive Officer and a major shareholder of the Company and also a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81
Datuk Kamarudin bin Meranun	• Non-Independent Executive Chairman and a major shareholder of the Company and also the Non-Independent Executive Director and a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81
Interested Directors					
Tan Sri Anthony Francis Fernandes	• Non-Independent Executive Director, Chief Executive Officer and a major shareholder of the Company and also a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81

	Nature of interest	Direct		Indirect	
		No. of Shares held	%	No. of Shares held	%
<u>Interested Directors</u>					
Datuk Kamarudin bin Meranun	• Non-Independent Executive Chairman and a major shareholder of the Company and also the Non-Independent Executive Director and a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81
Dato' Fam Lee Ee	• Senior Independent Non- Executive Director of the Company and Non-Independent Non-Executive Chairman of AAX	-	-	-	-

Note:

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

Accordingly, Tan Sri Anthony Francis Fernandes, Datuk Kamarudin bin Meranun and Dato' Fam Lee Ee have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings.

The Interested Directors and Interested Major Shareholders will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in the Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of the Company to be convened.

The Interested Directors and the Interested Major Shareholders will ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in the Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of the Company to be convened.

8. EVALUATION OF THE PROPOSALS

PIVB's scope in arriving at our opinion and recommendation as the Independent Adviser to the non-interested shareholders in relation to the Proposals are limited to the following:

(a)	Rationale and benefits of the Proposals	Section 9
(b)	Evaluation of the Proposals	Section 10
(c)	Evaluation of the salient terms of the SSPAs	Section 11
(d)	Effects of the Proposals	Section 12
(e)	Risk factors of the Proposals	Section 13
(f)	Industry outlook and prospects	Section 14

The views expressed by PIVB in this IAL are, amongst others, based on current economic, market and political conditions prevailing as at the LPD. In this respect, the non-interested shareholders of Capital A should take note of any announcements relevant to their consideration of the Proposals which may be released after the LPD.

9. RATIONALE AND BENEFITS OF THE PROPOSALS

We have set out below our comments on the rationale and benefits for the Proposals as stated in Section 6, Part A of the Circular.

9.1 Rationale and benefits of the Proposed Disposals

The segmental breakdown of the revenue of the Group for the FYE 31 December 2021 to FYE 31 December 2023, as extracted from Section 6 and Section 7, Part A of the Circular, are as follows:

Business Segments	Audited					
	FYE 31 December 2021		FYE 31 December 2022		FYE 31 December 2023	
	RM'000	%	RM'000	%	RM'000	%
Aviation	691,358	46.09	3,807,020	75.92	12,051,343	84.49
Engineering	101,333	6.76	285,772	5.70	573,996	4.03
Logistic and freight services	533,653	35.57	478,716	9.55	744,718	5.22
Online travel and e-commerce travel	150,016^	10.00^	377,745^	7.53^	668,896^	4.69^
Financial and other related services	20,879	1.39	30,036#	0.60	46,010#	0.32
In-flight catering	2,828	0.19	34,986	0.70	133,600	0.94
Brand management	-*	-*	-*	-*	44,685	0.31
Total segments	**1,500,067**	**100.00**	**5,014,275**	**100.00**	**14,263,248**	**100.00**

Notes:

* *Segment's performance was not disclosed.*

^ *For the avoidance of doubt, there are no audited consolidated financial statements prepared for AirAsia MOVE Group for all the past 3 financial years up to and including FYE 31 December 2023. The financial results is based on the compilation of the audited financial results of the AirAsia MOVE Group prepared by the management of the Company.*

\# *Based on the unaudited financial statements of BigPay for the FYE 31 December 2022 and FYE 31 December 2023.*

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In view of the above, we noted that the Company intends to streamline the Group's core business activities to focus on aviation services, logistics, digital and brand management businesses, which are essential and complimentary to the aviation business. Upon completion of the Proposed Disposals, the remaining business segments ("**Retained Segments**") of the Group would consist of the following:

(i)	Engineering	-	Aviation MRO segment carried out by ADE, a wholly-owned subsidiary of the Company
(ii)	Logistic and freight services	-	Logistics segment carried out by Teleport, a 77.56%-owned subsidiary of the Company
(iii)	Online travel and e-commerce travel	-	Super app segment carried out by AirAsia MOVE, a 96.19%- owned subsidiary of the Company
(iv)	Financial and other related services	-	Digital payments segment carried out by BigPay, a 99.56%- owned subsidiary of the Company
(v)	In-flight catering	-	In-flight catering segment carried out by Santan, a wholly-owned subsidiary of the Company
(vi)	Brand management of AirAsia Brand	-	Intellectual property segment carried out by Brand AA, a wholly-owned subsidiary of the Company

Based on the above, the Proposed Disposals would allow the Group to concentrate its resources and skills towards more specialised areas which are supplemental to the aviation business. Such streamlining is expected to result in higher efficiencies and reduced redundancies as the aviation business is consolidated under AAX. Further, we noted that the Retained Segments of the Group in aggregate generated PAT of RM91.40 million for the FYE 31 December 2023. Notwithstanding the above, we noted that the Entitled Shareholders of the Company are expected to be allotted and issued new AAX Shares which is listed on the Main Market of Bursa Securities. Hence, upon the completion of the Proposed Disposals, the Entitled Shareholders will still be able to participate in the aviation business and benefit from its potential prospects.

We also noted that the Proposed Disposals are also expected to result in greater clarity of investment between the Company, being the aviation services, logistics, digital and brand management business provider, and AAX, a pure aviation business consolidating both long and short haul routes under the AirAsia brand name. This is expected to allow the capital market and potential investors to better ascertain the potential as well as the prospects of each entity and facilitate business-centric valuation of the separate entities. Further, the separate entities between the aviation business, as well as aviation services, logistics, digital and brand management business would allow the Entitled Shareholders to benefit from the diversification of their investment portfolios based on their respective shareholdings in the Company and AAX upon completion of the Proposals. This is expected to provide an avenue for the shareholders as well as potential investors to achieve their investment objectives and unlock potential value arising from the segregation of business segments.

The Company is also expected to record a gain on remeasurement of the remaining interest in AAAGL and disposal of AAB upon completion of the Proposed Disposals. Based on the pro forma financial position of the Group as at FYE 31 December 2023, we noted that the Group is expected to realise a pro forma gain from the Proposed Disposals which will contribute positively to the Group's earning. Further, we also noted that the Proposed Disposals of the indebted aviation business would allow the Group to improve its gearing position by reducing its total borrowing significantly from RM24,180.0 million to RM1,734.0 million. As stipulated in Section 10, Part A of the Circular and upon the completion of the Proposed Disposals, the NA per Share of the Group is expected to improve from NL per Share of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and NA per Share of RM0.34 under the Maximum Scenario.

The Proposed Disposals will also enable the Group to exit from the aviation business and strengthen the Group's financial position with an expected pro forma gain to be realised post-completion of the Proposed Disposals. Notwithstanding the aforementioned, the Entitled Shareholders of the Company will receive AAX Shares which is listed on the Main Market of Bursa Securities upon the completion of the Proposals. This would allow the Entitled Shareholders to maintain their investment in the aviation industry via their respective shareholdings in AAX.

9.2 Rationale and benefits of the Proposed Distribution

We noted that the Proposed Distribution to be undertaken by the Company in conjunction with the Proposed AAAGL Disposal is to reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX while allowing clarity of investment in two distinct entities with different business activities, namely the aviation businesses and the aviation services, logistics, digital and brand management businesses. Additionally, this opportunity would allow Capital A investors to determine their level of exposure to two distinct entities with different business activities and potentially benefit directly from the future performance of the Company and AAX, which is expected to be a more streamlined entity consolidating the long-haul and short-haul routes under the AirAsia brand name.

We also noted that the Entitled Shareholders are not required to pay for their entitlement to the Distribution Shares. For illustration purposes, based on the Issue Price and the formula to determine the number of Distribution Shares received, we noted that for every 1,000 Shares held by the Entitled Shareholders, they are expected to receive 392 new AAX Shares. On a side note, we noted that the theoretical ex-price of Shares will be adjusted downward upon the completion of the Proposed Distribution. Nonetheless, shareholders should note that the downward adjusted value would correspond to the proportionate value of AAX Shares to be received by the Entitled Shareholders pursuant to the Proposed Distribution.

Pursuant to the above, we are of the view that the sale of the aviation business and pro forma gain arising from the Proposed Disposals will contribute positively towards the regularisation of the financial position of the Company. Further, the Company will also be able to continue to maintain their participation in the future prospects of the aviation industry via the shareholdings in AAX arising from the Proposed Distribution. Premised on the above, we are of the opinion that the rationale and benefits of the Proposals are fair and reasonable and are not detrimental to the interests of the non-interested shareholders.

10. EVALUATION OF THE PROPOSED DISPOSALS

In evaluating the reasonableness and fairness of the Proposed Disposals and in arriving at our recommendation, we have considered the following financial analysis:

(a)	Basis and justification of the AAAGL Disposal Consideration	Section 10.1
(b)	Basis and justification of the AAB Disposal Consideration	Section 10.2
(c)	Basis and justification for the Issue Price of the Consideration Shares	Section 10.3

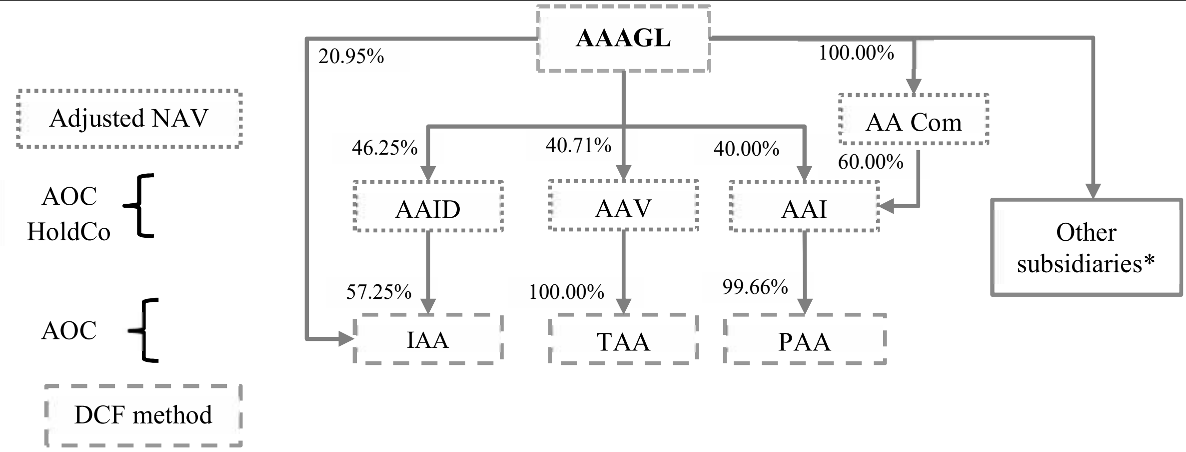
10.1 Basis and justification of the AAAGL Disposal Consideration

As disclosed in Section 2.2, Part A of the Circular, the AAAGL Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

(i) the rationale and benefits of the Proposals as detailed in Section 6, Part A of the Circular; and

(ii) the range of valuation for the AAAGL Equity Interest based on the adjusted NAV of AAAGL of USD628.0 million to USD805.0 million (equivalent to approximately RM2,880.0 million to RM3,691.0 million) as at 31 December 2023 based on an independent valuation conducted by DCAS.

In evaluating the fairness of the AAAGL Disposal Consideration, we have relied on the Valuation Letter and our assessments in Sections 10.1.1, 10.1.2, 10.1.3 and 10.1.4 of this IAL. We have reviewed and assessed the reasonableness of the valuation methods applied as well as the key basis and assumptions adopted by DCAS as disclosed in the Valuation Letter and are satisfied with the valuation of AAAGL by DCAS.



Valuation based on adjusted NAV after taking into consideration the fair value of the AOC HoldCo, fair value of IAA as well as additional capital contributions and investments made by AAAGL subsequent to 31 December 2023.

Valuation based on adjusted NAV after taking into consideration the fair value of the respective AOCs and based on the equity interest held by AAAGL in the respective AOC HoldCo.

Valuation based on income approach adopting the DCF method.

Based on carrying amount.

* Other subsidiaries comprised of AirAsia Aviation Management Services Sdn Bhd, AirAsia Europe Limited, AirAsia (Guangzhou) Aviation Service Limited Company and AirAsia Cambodia.

Based on the diagram above, in arriving at the valuation of AAAGL, we noted that DCAS has adopted the adjusted NAV approach after taking into consideration the adjusted NAV of the AOC HoldCo namely AAID, AAV, AAI and AA Com, fair value of the direct investment in IAA and the carrying amount of capital contributions and investment in other subsidiaries. The adjusted NAV of the AOC HoldCo was derived after adjusting for the fair value of the respective AOC. DCAS after considering different valuation methods such as income approach, market approach and adjusted book value approach, has adopted the adjusted NAV method for AAAGL and the AOC HoldCo in view that their current respective NAV would not be reflective of their fair values as holding companies (both direct and indirect) of the AOCs.

In deriving the valuation of the AOCs, DCAS has adopted the DCF method (income approach) as the primary method in view that the AOCs are income generating companies with active operations. The DCF method is based on the AOCs' cash flow projections prepared by the Management of the respective AOC for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying basis and assumptions and the discounting of the future cash flow to present value.

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Other than the DCF method, we have also considered other valuation methods and found the following methods are not suitable for the assessment of the fair value of the AOCs due to the following reasons:

Valuation method	PIVB's comments
Revalued net asset valuation ("**RNAV**")	RNAV is a valuation method that seeks to adjust the NA of a company to take into consideration the market / current / fair value of the assets of a company to determine the adjusted value of the company's financial value. It should be noted that the underlying value of the AOCs are mainly to be derived from its future business operations instead of its assets. As such, we are of the opinion that the RNAV may not accurately reflect the fair value of the AOCs.
Relative valuation approach ("**RVA**")	RVA is a valuation method that takes into consideration trading multiples, such as price to earnings multiple ("**PE Multiple**"), price to book multiple ("**PB Multiple**") and enterprise value over earnings before interest, tax, depreciation and amortisation multiple ("**EV/EBITDA Multiple**"), of comparable companies operating in similar industries which will be adopted to determine the fair value of the company. It should be noted that the current business operations of the AOCs have not recovered fully to pre-COVID 19 levels and are not reflective of their earnings potential. As such, the RVA valuation method adopting the PE Multiple and EV/EBITDA Multiple may not be reasonable. Further as detailed above, the underlying value of the AOCs are derived mainly from future business operations instead of its assets thus, the PB Multiple may not be a reasonable method. As such, we are of the opinion that the RVA method may not accurately reflect the fair value of the AOCs.

Premised on the above, we are of the opinion that the adjusted NAV adopted to value AAAGL is appropriate as it would reflect the fair value of the AOCs (that are reflected in the adjusted NAV of the AOC HoldCo) which are the main income generating companies with active operations of the AAAGL Group. Further we are also of the opinion that the DCF method (a commonly used method which takes into consideration, amongst others, the time value of money as well as future cash flow to be derived from the business over a specific period of time) is appropriate for determining the AOCs' estimated fair value as the underlying value of the AOCs are likely to be derived from its future business operations.

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Based on Section 2.2(b), Part A of the Circular, the valuation of AAAGL based on the adjusted NAV as appraised by DCAS is as follows:

		Low range USD million	High range USD million
Audited NAV of AAAGL as at 31 December 2023		183	183
Adjustments			
Add:	Uplift in fair value of investment in subsidiaries[(a)]	(61)	116
Add:	Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A[(b)]	505	505
Less:	Cost of investment incurred for the acquisition of 100% equity interest in AA Com from Capital A, which was completed in March 2024	[(c)]-	[(c)]-
AAAGL Valuation Range[(d)]		**628**	**805**
AAAGL Valuation Range (in RM' million)		**2,880**	**3,691**

Notes:

(a) *This was derived based on the following:*

		Low range USD million	*High range USD million*
20.95% equity in IAA[(e)]		*9*	*18*
46.25% equity interest in AAID[(f)]		*10*	*22*
40.71% equity interest in AAV[(f)]		*285*	*358*
100.00% equity interest in AA Com[(g)]		*116*	*166*
40.00% equity interest in AAI[(f)]		*88*	*121*
Investment in convertible bond issued by AAI[(h)]		*25*	*25*
Total		***533***	***710***
Less:	*Carrying amount of AAAGL's investments as at 31 December 2023[(i)(j)]*	*(594)*	*(594)*
Uplift in fair value of investment in subsidiaries		***(61)***	***116***

(b) *The capitalisation of the amount owing by AAAGL to Capital A amounting to USD505 million is attributable to the following:*

(i) *capitalisation due to the assignment of intercompany debt due to AAB by IAA, to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD126 million (equivalent to approximately RM580 million;*

(ii) *capitalisation due to the novation of the IAA Perpetual Capital Securities from AAB to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD238 million (equivalent to approximately RM1,091 million); and*

(iii) *capitalisation of the intercompany debt due to Capital A and AAB by AAAGL, amounting to approximately USD141 million (equivalent to approximately RM648 million).*

The capitalisation of the amount owing by AAAGL to Capital A is undertaken as a waiver of AAAGL debts by Capital A.

(c) *Represents an amount of USD0.2 million.*

(d) *Total does not add up due to rounding.*

(e) *Based on the fair value of IAA which ranges between USD42 million and USD85 million and the direct equity interest of 20.95% held in IAA by AAAGL. Kindly refer to Section 10.1.1 of this IAL for the analysis of the fair value of IAA.*

(f) *Fair value of AOC HoldCo attributable to AAAGL based on the Valuation Letter:*

		AAID		**AAV**		**AAI**	
		Low range IDR billion	**High range IDR billion**	**Low range THB million**	**High range THB million**	**Low range PHP million**	**High range PHP million**
Audited NAV as at 31 December 2023		2,567	2,567	17,015	17,015	6,176	6,176
Adjustments							
Add:	Uplift in fair value of investment in subsidiaries	(2,228)	(1,849)	7,081	13,213	6,003	10,646
	AOC held	*IAA*		*TAA*		*PAA*	
	Notes: Kindly refer to	***Section 10.1.1 of this IAL***		***Section 10.1.2 of this IAL***		***Section 10.1.3 of this IAL***	
	Fair value of AOC held	*652*	*1,314*	*23,966*	*30,098*	*6,023*	*10,683*
	Equity interest held by respective AOC HoldCo	*57.25%*	*57.25%*	*100.00%*	*100.00%*	*99.66%*	*99.66%*
	Fair value of AOC attributable to respective AOC HoldCo	*373*	*752*	*23,966*	*30,098*	*6,003*	*10,646*
Less:	*Carrying amount of AOC HoldCos' investments as at 31 December 2023*	*(2,601)*	*(2,601)*	*(16,885)*	*(16,885)*	*-*	*-*
	Uplift in fair value of investment in subsidiaries	**(2,228)**	**(1,849)**	**7,081**	**13,213**	**6,003**	**10,646**
Fair valuation range		339	718	24,095	30,227	12,178	16,822
Equity interest held by AAAGL		46.25%	46.25%	40.71%	40.71%	40.00%	40.00%
Fair value of AOC HoldCo attributable to AAAGL		**157**	**332**	**9,809**	**12,306**	**4,872**	**6,729**
Fair value of AOC HoldCo attributable to AAAGL (USD million)		**10**	**22**	**285**	**358**	**88**	**121**

(g) *Fair value of AA Com attributable to AAAGL:*

		Low range PHP million	High range PHP million
Audited NAV of AA Com as at 31 December 2023[i]		-	-
Adjustments			
Add:	Uplift in fair value of investment in AAI	6,412	9,198

Less:	*Fair value of AAI (refer to Note (f) above)*	*12,178*	*16,822*
	Equity interest held in AAI by AA Com	*60.00%*	*60.00%*
	Fair value of AAI attributable to AA Com	*7,307*	*10,093*
	Carrying amount of AA Com's investments as at 31 December 2023[i]	*(895)*	*(895)*
	Uplift in fair value of investment in subsidiaries	**6,412**	**9,198**

Fair valuation range	6,412	9,198
Equity interest held by AAAGL	100.00%	100.00%
Fair value of AA Com attributable to AAAGL	**6,412**	**9,198**
Fair value of AA Com attributable to AAAGL (USD million)[k]	**116**	**166**

(h) *In May 2013, AAI issued USD25 million in redeemable, unsecured convertible bonds to AAAGL at an interest rate of 6% per annum.*

(i) *Based on the financial information provided by the Management.*

(j) *The carrying amount of AAAGL's investments have been adjusted to reflect the novation of the IAA Perpetual Capital Securities from AAB to AAAGL to be completed prior to the Proposals. As at 31 December 2023, the outstanding balance of the IAA Perpetual Capital Securities amounted to approximately RM1,091 million.*

(k) *Converted from PHP to USD based on exchange rate of PHP1:USD0.0181, being the exchange rate adopted by DCAS as disclosed in the Valuation Letter, for the purpose of the evaluation.*

Terminal value comprises more than half of the valuation of TAA, PAA and IAA, given the respective management's plan to grow their operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FYE 31 December 2024 to FYE 31 December 2028. Their operations are expected to achieve a stable state by FYE 31 December 2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rates of the respective countries in which TAA, PAA and IAA operate.

10.1.1 Fair value of IAA

The valuation range of IAA as ascribed by DCAS in its Valuation Letter based on the DCF method is as follows:

		Low range IDR billion	High range IDR billion
Enterprise value of IAA (DCF method)		3,683	4,345
Add:	Uplift in fair value of investment in subsidiaries	(3,031)	(3,031)
Fair value of IAA		**652**	**1,314**

In deriving at the fair value of IAA, DCAS has adopted the DCF method. In assessing the value of IAA by DCAS, we have considered the basis and assumptions adopted by DCAS as well as the discount factor adopted by DCAS based on the weighted average cost of capital ("**WACC**").

$$\mathbf{WACC = (W_e \times K_e) + (W_d \times (K_d)(1\text{-}T))}$$

where:

W_e	=	Weightage of equity financing
K_e	=	Cost of equity
W_d	=	Weightage of debt financing
K_d	=	Pre-tax cost of debt
T	=	Statutory corporate income tax rate

(i) Basis and assumptions

The key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of IAA, which were subsequently applied by DCAS, in arriving at the valuation of IAA are as follows:

No.	Basis and assumptions adopted		PIVB's comments
<u>Major basis and assumptions</u>			
1.	Revenue	• IAA is a low-cost passenger airline which provides air transportation services out of Indonesia. As at 31 December 2023, it has more than 30 leased aircraft and serves around 20 destinations with more than 30 routes. • IAA's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 98.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 2.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a compounded annual growth rate ("**CAGR**") of approximately 21.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 14.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of IAA for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 98.77% of the total revenue whilst revenue from freight services on average accounted for approximately 1.08% of the total revenue. We also noted that based on the pre-COVID-19 historical financial performance of IAA for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 96.59% of the total revenue whilst revenue from freight services on average accounted for approximately 1.18% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by IAA is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of IAA. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 98.0% and 2.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 21.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.

No.	Basis and assumptions adopted		PIVB's comments
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by IAA in previous financial years.
3.	Others	• Unutilised tax losses of IAA are expected to be utilised and offset against its projected earnings before interest and tax ("**EBIT**") between FYE 31 December 2024 to FYE 31 December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Indonesia statutory tax rate of 22.0%. • Capital expenditure for non-aircraft operating assets is projected at approximately 1.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028. • The working capital requirements of IAA have been assumed as follows: (i) Trade receivable turnover days of less than 1 week; (ii) Trade payable turnover days between 30 and 45 days; and (iii) Other working capital requirements based on historical trends and discussions with the Management. • The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 3.0%, being the 20-year long-term inflation rate in Indonesia.	Based on our discussion with the management of Capital A, we noted that IAA has unutilised tax losses which can be carried forward up to 5 years and utilised together with unabsorbed capital allowance to offset profit generated by the company. Further, we noted that the assumed corporate tax rate from FYE 31 December 2028 onwards of 22.0% is fair as it is in accordance with the statutory corporate tax requirement in Indonesia. We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity. The assumed trade receivables turnover days of less than 1 week is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 98.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends. Further as disclosed in the annual report of AAID for the FYE 31 December 2023, the trade payables period generally has terms of payment between 30 to 60 days. We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 3.0% is fair after taking into consideration the average forecasted inflation rate of Indonesia for year 2024 to 2026 of approximately 2.93% per annum as extracted from Bloomberg.
General basis and assumptions			
1.	AAAGL Group is and will continue as a going concern.		We are of the view that the general basis and assumptions appear reasonable as the business of the AAAGL Group, which includes IAA, is expected to continue as a going concern.
2.	There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAAGL Group.		
3.	There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAAGL Group.		

(ii) WACC

In arriving at the fair value of IAA, DCAS has discounted the future cashflow ("**FCF**") generated by IAA to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 17.5% to 19.0%. For evaluation purposes, we have also computed the WACC for IAA based on the following factors:

No.	Component	Basis	IAA
Cost of debt ("k_d")			
1.	k_d	After taking into consideration the coupon rates of existing, investment grade corporate bonds of companies in each respective country/each respective countries government in issue as at 31 December 2023.	7.90%
Cost of equity ("k_e")			
1.	Risk free rate (**R_f**)	Based on the 5-year (up to 31 December 2023) average yield of 10-year government securities of each respective country as extracted from Bloomberg.	6.90% (10-year Indonesia Bond)
2.	Expected market return rate (**R_m**)	Based on the 5-year (up to 31 December 2023) average market rate of return of respective country as extracted from Bloomberg.	12.42%
3.	Tax rate	Statutory tax rate of each respective country.	22%
4.	Beta (**β**)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.15x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies*.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies*.	30%
7.	Country specific spread (ξ)	As extracted from Professor Damodaran's website (adopted for countries which adopt US as benchmark for R_f and R_m).	-
8.	Company specific risk premium (**δ**)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	9.80% - 10.60%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	23.05% - 23.85%
10.	Adopted k_e		**23.10% - 23.90%**

Note:

* *Details of the comparable companies are as follows:*

Comparable Company	*Market Capitalisation (RM million)*	*Levered Beta times*	*Debt Ratio %*	*Equity Ratio %*	*Net Debt / Equity %*	*Unlevered Beta times*
AirAsia X Berhad	*836.03*	*2.37*	*31.97*	*68.03*	*46.99*	*1.61*
Asia Aviation Public Company Limited	*3,434.48*	*1.97*	*27.63*	*72.37*	*38.18*	*1.47*
Capital A Berhad	*3,510.03*	*1.24*	*39.02*	*60.98*	*63.99*	*0.78*
Cebu Air, Inc	*1,710.24*	*1.03*	*66.77*	*33.23*	*200.93*	*0.42*
InterGlobe Aviation Limited	*63,199.98*	*0.96*	*14.24*	*85.76*	*16.60*	*0.86*
Jeju Air Co. Ltd.	*3,337.15*	*1.00*	*24.82*	*75.18*	*33.01*	*0.80*
SpiceJet Limited	*2,454.17*	*1.67*	*26.65*	*73.35*	*36.33*	*1.33*
Spring Airlines Co. Ltd.	*31,657.29*	*1.11*	*23.55*	*76.45*	*30.80*	*0.88*
VietJet Aviation Joint Stock Company	*11,055.37*	*0.76*	*21.21*	*78.79*	*26.92*	*0.66*
		Average	***30.65***	***69.35***	***54.86***	***0.98***
		Median	***26.65***	***73.35***	***36.33***	***0.86***
		Adopted	***30.00***	***70.00***	***42.86***	***0.86***

WACC Computation

Component	
k_d	7.90%
Debt structure adopted	30%
Tax rate	22%
k_e	23.10% - 23.90%
Equity structure adopted	70%
WACC computed by PIVB for IAA	18.0% - 18.6%
WACC adopted by DCAS for IAA	17.5% - 19.0%

Premised on the above, we noted that the WACC computed by PIVB for IAA is generally consistent with the WACC adopted by DCAS for IAA.

10.1.2 Fair value of TAA

The valuation range of TAA as ascribed by DCAS based on the DCF method is as follows:

	Low range[(a)]	**High range[(a)]**
	THB million	**THB million**
Enterprise value of TAA (DCF method)	25,757	31,889
Add: Uplift in fair value of investment in subsidiaries	(1,792)	(1,792)
Fair value of TAA[(a)]	**23,966**	**30,098**

Note:

(a) Total does not add up due to rounding.

In deriving at the fair value of TAA, DCAS has adopted the DCF method. In assessing the value of TAA by DCAS, we have considered the basis and assumptions which was adopted by DCAS as well as the discount factor adopted by DCAS based on the WACC (formula as detailed in Section 10.1.1 of this IAL).

(i) Basis and assumptions

We also noted that the key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of TAA, which were subsequently applied by DCAS, in arriving at the valuation of TAA are as follows:

No.	Basis and assumptions adopted		PIVB's comments
Major basis and assumptions			
1.	Revenue	• TAA is a low-cost passenger airline which provides air transportation services out of Thailand. As at 31 December 2023, it has more than 50 leased aircraft and serves around 50 destinations with more than 60 routes. • TAA's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 99.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 1.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a CAGR of approximately 11.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 5.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of TAA for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 99.49% of the total revenue whilst revenue from freight services on average accounted for approximately 0.51% of the total revenue. We also noted that based on the pre-COVID-19 historical financial performance of TAA for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 99.30% of the total revenue whilst revenue from freight services on average accounted for approximately 0.70% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by TAA is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of TAA. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 11.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by TAA in previous financial years.

<table>
<tr><th>No.</th><th colspan="2">Basis and assumptions adopted</th><th>PIVB’s comments</th></tr>
<tr><td>3.</td><td>Others</td><td>Unutilised tax losses of TAA are expected to be utilised and offset against its projected EBIT in FYE 31 December 2024 and FYE 31 December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Thailand statutory tax rate of 20.0%.
Capital expenditure for non-aircraft operating assets is projected at approximately 0.2% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028.
The working capital requirements of TAA have been assumed as follows:
(i) Trade receivable turnover days of less than 1 week;
(ii) Trade payable turnover days between 30 and 45 days; and
(iii) Other working capital requirements based on historical trends and discussions with the Management.
The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 1.0%, being the 20-year long-term inflation rate in Thailand.</td><td>Based on our discussion with the management of Capital A, we noted that TAA has unutilised tax losses which can be carried forward up to 5 years to offset profit generated by the company. Further, we noted that the assumed corporate tax rate from FYE 31 December 2028 onwards of 20.0% is fair as it is in accordance with the statutory corporate tax requirement in Thailand.

We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity.

The assumed trade receivables turnover days of less than 1 week is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 99.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends.

We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 1.0% is fair after taking into consideration the average forecasted inflation rate of Thailand for year 2024 to 2026 of approximately 1.43% per annum as extracted from Bloomberg.</td></tr>
<tr><td colspan="4"><u>General basis and assumptions</u></td></tr>
<tr><td>1.</td><td colspan="2">AAAGL Group is and will continue as a going concern.</td><td rowspan="3">We are of the view that the general basis and assumptions appear reasonable as the business of the AAAGL Group, which includes TAA, is expected to continue as a going concern.</td></tr>
<tr><td>2.</td><td colspan="2">There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAAGL Group.</td></tr>
<tr><td>3.</td><td colspan="2">There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAAGL Group.</td></tr>
</table>

(ii) WACC

In arriving at the fair value of TAA, DCAS has discounted the FCF to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 12.0% to 14.5%. For evaluation purposes, we have also computed the WACC for TAA based on the following factors:

No.	Component	Basis	TAA
Cost of debt (“k_d”)			
1.	k_d	After taking into consideration the coupon rates of existing, investment grade corporate bonds of companies in each respective country/each respective countries government in issue as at 31 December 2023.	9.00%
Cost of equity (“k_e”)			
1.	Risk free rate (**R_f**)	Based on the 5-year (up to 31 December 2023) average yield of 10-year government securities of each respective country as extracted from Bloomberg.	2.07% (10-year Thailand Bond)
2.	Expected market return rate (**R_m**)	Based on the 5-year (up to 31 December 2023) average market rate of return of respective country as extracted from Bloomberg.	12.94%
3.	Tax rate	Statutory tax rate of each respective country.	20%
4.	Beta (**β**)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.15x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies*.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies*.	30%
7.	Country specific spread (**ξ**)	As extracted from Professor Damodaran’s website (adopted for countries which adopt US as benchmark for R_f and R_m).	-
8.	Company specific risk premium (**δ**)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	2.10% - 2.90%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	16.67% - 17.47%
10.	Adopted k_e		**16.70% - 17.50%**

Note:

* *Details of the comparable companies are disclosed in Section 10.1.1 of this IAL.*

WACC Computation

Component	
k_d	9.00%
Debt structure adopted	30%
Tax rate	20%
k_e	16.70% - 17.50%
Equity structure adopted	70%
WACC computed by PIVB for TAA	13.9% - 14.4%
WACC adopted by DCAS for TAA	12.0% - 14.5%

Premised on the above, the WACC computed by PIVB for TAA is generally consistent with the WACC adopted by DCAS for TAA.

10.1.3 Fair value of PAA

The valuation range of PAA as ascribed by DCAS based on the DCF method is as follows:

	Low range[(a)] PHP million	High range[(a)] PHP million
Enterprise value of PAA (DCF method)	17,020	21,679
Add: Uplift in fair value of investment in subsidiaries	(10,997)	(10,997)
Fair value of PAA[(a)]	**6,023**	**10,683**

Note:

(a) Total does not add up due to rounding.

In deriving at the fair value of PAA, DCAS has adopted the DCF method. In assessing the value of PAA by DCAS, we have considered the basis and assumptions adopted by DCAS as well as the discount factor adopted by DCAS based on the WACC (formula as detailed in Section 10.1.1 of this IAL).

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(i) Basis and assumptions

We also noted that the key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of PAA, which were subsequently applied by DCAS, in arriving at the valuation of PAA are as follows:

No.	Basis and assumptions adopted		PIVB's comments
Major basis and assumptions			
1.	Revenue	• PAA is a low-cost passenger airline which provides air transportation services out of Philippines. As at 31 December 2023, it has more than 20 leased aircraft and serves around 20 destinations with more than 20 routes. • PAA's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 99.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 1.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a CAGR of approximately 15.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 11.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of PAA for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 96.55% of the total revenue whilst revenue from freight services on average accounted for approximately 2.99% of the total revenue. We also noted that based on the pre-COVID-19 historical financial performance of PAA for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 98.47% of the total revenue whilst revenue from freight services on average accounted for approximately 1.53% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by PAA is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of PAA. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 15.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by PAA in previous financial years.

<table>
<tr><th>No.</th><th colspan="2">Basis and assumptions adopted</th><th>PIVB's comments</th></tr>
<tr><td>3.</td><td>Others</td><td>• Unutilised tax losses of PAA are expected to be utilised and offset against its projected EBIT in FYE 31 December 2024 and FYE 31 December 2025. Tax expenses have been assumed from FYE 31 December 2026 onwards at Philippines statutory tax rate of 25.0%.

• Capital expenditure for non-aircraft operating assets is projected at approximately 2.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028.

• The working capital requirements of PAA have been assumed as follows:

(i) Trade receivable turnover days of less than 1 week;

(ii) Trade payable turnover days between 30 and 70 days; and

(iii) Other working capital requirements based on historical trends and discussions with the Management.

• The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 3.0%, being the 20-year long-term inflation rate in Philippines.</td><td>Based on our discussion with the management of Capital A, we noted that PAA has unutilised tax losses which can be carried forward up to 3 years and utilised to offset profit generated by the company. Further, we noted that the assumed corporate tax rate from FYE 31 December 2028 onwards of 25.0% is fair as it is in accordance with the statutory corporate tax requirement in Philippines.

We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity.

The assumed trade receivables turnover days of less than 1 week is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 99.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends.

We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 3.0% is fair after taking into consideration the average forecasted inflation rate of Philippines for year 2024 to 2026 of approximately 3.27% per annum as extracted from Bloomberg.</td></tr>
<tr><td colspan="4"><u>General basis and assumptions</u></td></tr>
<tr><td>1.</td><td colspan="2">AAAGL Group is and will continue as a going concern.</td><td rowspan="3">We are of the view that the general basis and assumptions appear reasonable as the business of the AAAGL Group, which includes PAA, is expected to continue as a going concern.</td></tr>
<tr><td>2.</td><td colspan="2">There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAAGL Group.</td></tr>
<tr><td>3.</td><td colspan="2">There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAAGL Group.</td></tr>
</table>

(ii) **WACC**

In arriving at the fair value of PAA, DCAS has discounted the FCF to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 17.0% to 19.0%. For evaluation purposes, we have also computed the WACC for PAA based on the following factors:

No.	Component	Basis	PAA
Cost of debt (“k_d”)			
1.	k_d	After taking into consideration the coupon rates of existing, investment grade corporate bonds of companies in each respective country/each respective countries government in issue as at 31 December 2023.	7.40%
Cost of equity (“k_e”)			
1.	Risk free rate (**R_f**)	Based on the 5-year (up to 31 December 2023) average yield of 10-year government securities of each respective country as extracted from Bloomberg.	2.27% (10-year US Bond)
2.	Expected market return rate (**R_m**)	Based on the 5-year (up to 31 December 2023) average market rate of return of respective country as extracted from Bloomberg.	9.50%
3.	Tax rate	Statutory tax rate of each respective country.	25%
4.	Beta (**β**)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.14x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies.	30%
7.	Country specific spread (**ξ**)	As extracted from Professor Damodaran’s website (adopted for countries which adopt US as benchmark for R_f and R_m).	2.80%
8.	Company specific risk premium (**δ**)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	9.90% - 11.00%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	23.21% - 24.31%
10.	Adopted k_e		**23.20% - 24.30%**

Note:

* *Details of the comparable companies are disclosed in Section 10.1.1 of this IAL.*

WACC Computation

Component	
k_d	7.40%
Debt structure adopted	30%
Tax rate	25%
k_e	23.20% - 24.30%
Equity structure adopted	70%
WACC computed by PIVB for PAA	17.9% - 18.7%
WACC adopted by DCAS for PAA	17.0% - 19.0%

Premised on the above, the WACC computed by PIVB for PAA is generally consistent with the WACC adopted by DCAS for PAA.

10.1.4 Fair value of AAAGL by PIVB

After taking into consideration the WACC that we have adopted for IAA, TAA, PAA, the valuation of AAAGL would be as follows:

		Low range USD million	High range USD million
Audited NAV of AAAGL as at 31 December 2023		183	183
Adjustments			
Add:	Uplift in fair value of investment in subsidiaries[(a)]	(42)	11
Add:	Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A	505	505
Less:	Cost of investment incurred for the acquisition of 100% equity interest in AA Com from Capital A, which was completed in March 2024	[(b)]-	[(b)]-
Fair value of AAAGL		**646**	**699**
Fair value of AAAGL (in RM' million)[(c)]		**2,964**	**3,207**

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Notes:

(a) *This was derived based on the following:*

	Low range	***High range***
	USD million	***USD million***
20.95% equity in IAA	*11*	*15*
46.25% equity interest in AAID	*13*	*18*
40.71% equity interest in AAV	*288*	*300*
100.00% equity interest in AA Com	*123*	*142*
40.00% equity interest in AAI	*92*	*105*
Investment in convertible bond issued by AAI	*25*	*25*
Total	***552***	***605***
Less: Carrying amount of AAAGL's investments as at 31 December 2023	*(594)*	*(594)*
Uplift in fair value of investment in subsidiaries	***(42)***	***11***

(b) *Represents an amount of USD0.2 million.*

(c) *Converted from USD to RM based on exchange rate of USD1:RM4.5875, being the exchange rate adopted by DCAS as disclosed in the Valuation Letter.*

Further to the above, we have set out below AAAGL's valuation range derived by PIVB as well as ascribed by DCAS:

	Low range		**High range**	
	USD million	**RM million**	**USD million**	**RM million**
AAAGL's valuation by PIVB	**646**	**2,964**	**699**	**3,207**
AAAGL's valuation by DCAS	**628**	**2,880**	**805**	**3,691**

Premised on the foregoing, although the AAAGL Disposal Consideration is at the lower end of the AAAGL Valuation Range, we are of the opinion that the AAAGL Disposal Consideration of RM3,000.0 million is fair after considering the following:

(i) **the AAAGL Disposal Consideration is within the AAAGL's valuation range derived by PIVB and ascribed by DCAS;**

(ii) **the effects of the Proposed AAAGL Disposal which is expected to result in an improvement in the consolidated NA of the Company; and**

(iii) **the Company is expected to realise a pro forma gain arising from the remeasurement of remaining interest in AAAGL of approximately RM3.61 billion which is expected to improve the financial condition of the Company.**

10.2 Basis and justification of the AAB Disposal Consideration

As disclosed in Section 3.2, Part A of the Circular, the AAB Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

(i) the rationale and benefits of the Proposals as detailed in Section 6, Part A of the Circular; and

(ii) the equity value of AAB Equity Interest as at 31 December 2023 based on an independent valuation conducted by DCAS ranging between RM3,721.0 million to RM4,602.0 million as at 31 December 2023.

In evaluating the fairness of the AAB Purchase Consideration, we have relied on the Valuation Letter prepared by DCAS and our assessments below. We have reviewed and assessed the reasonableness of the valuation methods applied as well as the key basis and assumptions adopted by DCAS as disclosed in the Valuation Letter and are satisfied with the valuation of AAB by DCAS. In deriving the valuation of AAB, DCAS has adopted the DCF method (income approach), given that AAB is an income-generating company with active operations. The DCF method is based on AAB's cash flow projections prepared by the Management for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying basis and assumptions and the discounting of the future cash flow to present value. Premised on the above, we are of the opinion that the DCF method (a commonly used method which takes into consideration, amongst others, the time value of money as well as future cash flow to be derived from the business over a specific period of time) adopted to value AAB is appropriate as the underlying value of AAB is likely to be derived from its future business operations. Further, we have also considered other valuation methods and found the following methods are not suitable for the assessment of the fair value of the AAB due to the following reasons:

Valuation method	PIVB's comments
RNAV	RNAV is a valuation method that seeks to adjust the net asset of a company to take into consideration the market / current / fair value of the assets of a company to determine the adjusted value of the company's financial value. It should be noted that the underlying value of AAB is mainly to be derived from its future business operations instead of its assets. As such, we are of the opinion that the RNAV may not accurately reflect the fair value of AAB.
RVA	RVA is a valuation method that takes into consideration trading multiples, such as PE Multiple, PB Multiple and EV/EBITDA Multiple, of comparable companies operating in similar industries which will be adopted to determine the fair value of the company. It should be noted that the current business operations of AAB have not recovered fully to pre-COVID-19 levels and are not reflective of their earnings potential. As such, the RVA valuation method adopting the PE Multiple and EV/EBITDA Multiple may not be reasonable. Further as detailed above, the underlying value of AAB are derived mainly from future business operations instead of its assets thus, the PB Multiple may not be a reasonable method. As such, we are of the opinion that the RVA may not accurately reflect the fair value of AAB.

The valuation of AAB based on the adjusted NAV as appraised by DCAS in its Valuation Letter is as follows:

	Low range RM million	High range RM million
Enterprise value of AAB	2,278	3,158
Add: Net cash	1,444	1,444
Fair value of AAB[(a)]	**3,721**	**4,602**

Note:

(a) Total does not add up due to rounding.

Terminal value comprises more than half of the valuation of AAB, given its management's plan to grow its operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FYE 31 December 2024 to FYE 31 December 2028. The operation of AAB is expected to achieve a stable state by FYE 31 December 2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rate of the country in which AAB mainly operates.

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In assessing the value of AAB by DCAS, we have considered the basis and assumptions adopted by DCAS as well as the discount factor adopted by DCAS based on the WACC (formula as detailed in Section 10.1.1 of this IAL).

(i) Basis and assumptions

We also noted that the key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of AAB, which were subsequently applied by DCAS, in arriving at the valuation of AAB which are as follows:

No.	Basis and assumptions adopted		PIVB's comments
Major basis and assumptions			
1.	Revenue	• AAB is a low-cost passenger airline which provides air transportation services out of Malaysia. As at 31 December 2023, it has more than 100 leased aircraft and serves around 50 destinations with more than 80 routes. • AAB's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 99.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 1.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a CAGR of approximately 13.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 6.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of AAB for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 98.36% of the total revenue (excluding operating lease income) whilst revenue from freight services on average accounted for approximately 1.43% of the total revenue (excluding operating lease income). We also noted that based on the pre-COVID-19 historical financial performance of AAB for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 98.00% of the total revenue whilst revenue from freight services on average accounted for approximately 1.83% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by AAB is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of AAB. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 13.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by AAB in previous financial years.

No.	Basis and assumptions adopted		PIVB's comments
3.	Others	• Unutilised tax losses of AAB are expected to be utilised and offset against its projected EBIT in FYE 31 December 2024 and FYE 31 December 2028. Tax expenses are assumed in the terminal period at Malaysia statutory tax rate of 24.0%. • Capital expenditure for non-aircraft operating assets is projected at approximately 1.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028. • The working capital requirements of AAB have been assumed as follows: (i) Trade receivable turnover days of less than 2 weeks; (ii) Trade payable turnover days between 30 and 45 days; and (iii) Other working capital requirements based on historical trends and discussions with the Management. • The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 2.0%, being the 20-year long-term inflation rate in Malaysia.	Based on our discussion with the management of Capital A, we noted that AAB has unutilised losses, capital allowance and incentives carried forward to cover the projected earnings generated by the company. Further, we noted that the assumed corporate tax rate from the terminal period of 24.0% is fair as it is in accordance with the statutory corporate tax requirement in Malaysia. We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity. The assumed trade receivables turnover days of less than 2 weeks is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 99.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends. We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 2.0% is fair after taking into consideration the average forecasted inflation rate of Thailand for year 2024 to 2026 of approximately 2.43% per annum as extracted from Bloomberg.
General basis and assumptions			
1.	AAB is and will continue as a going concern.		We are of the view that the general basis and assumptions appear reasonable as the business of the AAB is expected to continue as a going concern.
2.	There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAB.		
3.	There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAB.		

(ii) WACC

In arriving at the fair value of AAB, DCAS has discounted the FCF to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 12.5% to 14.5%. For evaluation purposes, we have also computed the WACC for AAB based on the following factors:

No.	Component	Basis	AAB
Cost of debt ("k_d")			
1.	k_d	After taking into consideration the coupon rates of existing corporate bonds of companies in Malaysia/ Malaysian government in issue as at 31 December 2023 which are investment grade.	7.90%

No.	Component	Basis	AAB
Cost of equity ("k_e")			
1.	Risk free rate (**R_f**)	Based on the 5-year (up to 31 December 2023) average yield of 10-year Malaysian government securities as extracted from Bloomberg.	3.52%
2.	Expected market return rate (**R_m**)	Based on the 5-year (up to 31 December 2023) average market rate of return of Malaysia as extracted from Bloomberg.	10.00%
3.	Tax rate	Statutory tax rate of Malaysia.	24%
4.	Beta (**β**)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.14x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies.	30%
7.	Country specific spread (**ξ**)	As extracted from Professor Damodaran's website (adopted for countries which adopt US as benchmark for R_f and R_m).	-%
8.	Company specific risk premium (**δ**)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	5.50% - 7.10%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	16.41% - 18.01%
10.	Adopted k_e		**16.40% - 18.00%**

Note:

* *Details of the comparable companies are disclosed in Section 10.1.1 of this IAL.*

WACC Computation

Component	
k_d	7.90%
Debt structure adopted	30%
Tax rate	24%
k_e	16.40% - 18.00%
Equity structure adopted	70%
WACC computed by PIVB for AAB	13.3% - 14.4%
WACC adopted by DCAS for AAB	12.5% - 14.5%

Premised on the above, the WACC computed by PIVB for AAB is generally consistent with the WACC adopted by DCAS for AAB.

Pursuant thereto, we have also performed our own valuation of AAB based on the WACC calculated by PIVB of 13.3% to 14.4% and arrived at a fair value of AAB as follows:

	Low range RM million	High range RM million
Enterprise value of AAB	2,318	2,771
Add: Net cash	1,444	1,444
AAB's valuation by PIVB[(a)]	**3,762**	**4,215**
AAB's valuation by DCAS	**3,721**	**4,602**

Note:

(a) For information purposes, we have also considered the impact of the issuance of the Revenue Bond. For illustration purposes, the valuation range of AAB as derived by PIVB, after considering the impact for the issuance of the Revenue Bond, ranges between RM3,773.0 million and RM4,198.0 million. The impact of the issuance of the Revenue Bond is deemed immaterial as the variance is less than 1% as compared to the valuation range derived by PIVB of between RM3,762.0 million and RM4,215.0 million (excluding the impact of the Revenue Bond). Further information on the Revenue Bond and the impact of the Revenue Bond on the valuation of AAB by DCAS are set out in Section 3, Part A of the Circular, Section 12 of Appendix III of the Circular and DCAS' letter dated 10 September 2024 as attached in Appendix VII of the Circular.

Premised on the above, although the AAB Disposal Consideration is at the lower end of the AAB Valuation Range, we are of the view that the AAB Disposal Consideration of RM3,800.0 million is fair after taking into consideration the following:

(i) the AAB Disposal Consideration is within the AAB's valuation range derived by PIVB and DCAS;

(ii) the Company is expected to realise a gain on disposal of AAB of approximately RM7.67 billion which is expected to improve the financial condition of the Company;

(iii) in view that the AAB Disposal Consideration will be satisfied by way of AAX's assumption of the Company's debt due to AAB of RM3,800.0 million, this would allow the Group to recognise interest savings in comparison to repayment of the amount due to AAB via borrowings. For illustration purposes, assuming Capital A were to borrow funds from financial institutions to repay the debt, based on their weighted average interest rate of 8.49% as disclosed in the Company's Annual Report 2023, the interest expense would be approximately RM322.62 million per annum. Pursuant thereto, this would negatively impact the Company's profitability, as well as cashflow; and

(iv) **the effects of the Proposed AAB Disposal which is expected to result in an improvement in the consolidated NA of the Company.**

Further as disclosed in Section 3.1, Part A of the Circular, pursuant to the assumption of debt, the following shall occur simultaneously:

(i) AAB shall fully release the Company from the liability for the payment of the amount owing from the Company to AAB; and

(ii) AAX shall fully assume the liability for the payment of the amount owing from the Company to AAB.

In view of the above, we are of the view that the method of settlement for the AAB Disposal Consideration is reasonable.

10.3 Basis and justification for the Issue Price of the Consideration Shares

As detailed in Section 2.3, Part A of the Circular, the AAAGL Disposal Consideration will be fully satisfied via the issuance of the Consideration Shares at the Issue Price, which is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date prior to the date of announcement on 25 April 2024 ("**Announcement**") of the Proposals ("**Announcement LPD**"). Further, as disclosed in Section 2.1, Part A of the Circular, 1,692,307,692 Consideration Shares will be allocated and issued directly by AAX to the Entitled Shareholders pursuant to the Proposed Distribution on the AAAGL Completion Date.

In assessing the fairness and reasonableness of the Issue Price of the Consideration Shares to satisfy the Proposed AAAGL Disposal, of which approximately 73.33% of the total Consideration Shares will be allotted and issued directly to the Entitled Shareholders pursuant to the Proposed Distribution, we have considered the following:

10.3.1 Historical market price performance of the AAX Shares

The movement of the daily closing market prices of the AAX Shares for the past twelve (12) months prior to the Announcement and up to the LPD is illustrated below:

(Source: Bloomberg)

Based on the graph above, we note that the highest closing market price of AAX Shares was RM2.57 on 13 September 2023 and the lowest closing market price of AAX Shares was RM1.18 on 22 April 2024 for the past 12 months prior to the Announcement and up to the LPD.

Save for the following announcements of material developments which may have affected the movement of the market price of AAX Shares, we have not noted any other key announcements which may have a material effect on the market prices of AAX Share for the past 12 months prior to the Announcement and up to the LPD:

No.	Date	Announcement (with reference to the graph above)
(a)	28 April 2023	Annual Report for the FYE 31 December 2022.
(b)	9 May 2023	Bursa Securities had granted an extension of time of three (3) months up to 28 July 2023 for AAX to submit its regularisation plan to the regulatory authorities.
(c)	22 May 2023	AAX proposed to undertake a placement of 32,258,006 new AAX Shares representing approximately 7.78% of the total number of issued AAX Shares to AHAM Asset Management Berhad, AIIMAN Asset Management Sdn Bhd and Lavin Group Sdn Bhd (collectively defined as the "Subscribers") at an issue price of RM1.55 per AAX Share, vide three (3) conditional share subscription agreements entered into between AAX and the Subscribers ("Proposed Private Placement").
(d)	29 May 2023	Unaudited quarterly financial results for the 3-month FPE 31 March 2023.
(e)	15 June 2023	Completion of the Proposed Private Placement.
(f)	20 July 2023	Submission of application to Bursa Securities for the following: (i) relief from having to submit and implement a regularisation plan as required under Paragraph 8.04(3)(a) of the Listing Requirements ("Proposed Relief"); and (ii) upliftment of AAX from being classified as an affected listed issuer under PN17 ("PN17 Upliftment").
(g)	28 August 2023	Unaudited quarterly financial results for the 6-month FPE 30 June 2023.
(h)	19 October 2023	Bursa Securities has, vide its letter dated 18 October 2023, confirmed that it has resolved: (i) to reject AAX's application for the Proposed Relief and PN17 Upliftment; and (ii) to grant AAX an extension of time up to 17 January 2024 to submit its regularisation plan to the regulatory authorities.
(i)	21 November 2023	Unaudited quarterly financial results for the 9-month FPE 31 September 2023. Bursa Securities has, vide its letter dated 21 November 2023, after taking into consideration the relevant facts and circumstances, including among others, the following: (i) AAX no longer triggers any prescribed criteria under Paragraph 2.1 of PN17; (ii) AAX having complied with the criteria for waiver and upliftment from being classified as a PN17 company; and

No.	Date	Announcement (with reference to the graph above)
		(iii) the quarterly report for the financial period ended 30 September 2023 ("Quarterly Results") which is due by 30 November 2023 pursuant to Paragraph 9.22 of the Listing Requirements, resolved to allow AAX's appeal in respect of Bursa Securities' decision on rejection on the application for the Proposed Relief and PN17 Upliftment, subject to AAX announcing a profit after taxation attributable to the equity holders of AAX in the Quarterly Results. Notice of upliftment of AAX from being classified as a PN17 company effective 9.00am Wednesday, 22 November 2023.
(j)	8 January 2024	AAX has entered into a non-binding letter of acceptance with Capital A for the proposed acquisition by AAX of 100% equity interest in AAB and 100% equity interest in AAAGL, both are wholly-owned subsidiaries of Capital A ("Proposed Acquisitions").
(k)	29 February 2024	Unaudited quarterly financial results for the FYE 31 December 2023.
(l)	13 March 2024	AAX and Capital A have mutually agreed to extend the negotiations period to execute the definitive agreement for the Proposed Acquisitions until 15 April 2024.
(m)	9 April 2024	AAX and Capital A have mutually agreed to extend the negotiation period to execute the definitive agreement for the Proposed Acquisitions until 30 April 2024.
(n)	25 April 2024	AAX has entered into a conditional internal reorganisation agreement with AirAsia Group Sdn Bhd (formerly known as AirAsia Aviation Group Sdn Bhd) ("NewCo") for the implementation of a proposed internal reorganisation comprising the following: (i) the proposed exchange of all AAX Shares with new ordinary shares in the NewCo on the basis of 1 new NewCo share for every 1 existing AAX Share held by the entitled AAX shareholders on an entitlement date to be determined and announced later ("Proposed Share Exchange"); and (ii) the proposed assumption by the NewCo of the listing status of AAX and the admission of the NewCo to, and the withdrawal of AAX from, the Official List of Bursa Securities with the listing and quotation of the entire enlarged issued share capital of the NewCo on the Main Market of Bursa Securities ("Proposed Transfer of Listing Status"), (collectively, the "Proposed Internal Reorganisation")

No.	Date	Announcement (with reference to the graph above)
		AAX has also entered into 2 separate conditional share sale and purchase agreements with Capital A: (i) share sale and purchase agreement dated 25 April 2024 for the proposed acquisition by the NewCo of 100% equity interest in AAAGL held by Capital A for a purchase consideration of RM3,000.00 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 new NewCo shares at an issue price of RM1.30; and (ii) share sale and purchase agreement dated 25 April 2024 for the proposed acquisition by the NewCo of 100% equity interest in AAB held by Capital A for a purchase consideration of RM3,800.00 million to be satisfied entirely via the assumption by the NewCo of amount owing by Capital A to AAB. Furthermore, AAX proposed to undertake the following proposals: (i) proposed issuance by the NewCo of up to 223,536,402 free warrants in the NewCo on the basis of 1 warrant for every 2 NewCo shares held by the NewCo shareholders after the completion of the Proposed Internal Reorganisation on an entitlement date to be determined and announced later; (ii) proposed private placement of new NewCo Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.00 million; (iii) proposed reduction of the issued share capital of the NewCo to RM100.00 million by cancelling paid-up share capital which is lost or unrepresented by available assets pursuant to Section 116 of the Act; and (iv) In addition to the proposals above, AAX proposes to grant to Garynma the rights to subscribe for such number of NewCo shares representing, in aggregate, 15% of the total enlarged issued shares in the NewCo immediately after the completion of the Proposed Acquisitions via 3 subscription options of 5% each.
(o)	30 April 2024	Annual Report for the FYE 31 December 2023.
(p)	27 May 2024	Unaudited quarterly financial results for the 3-month FPE 31 March 2024.

No.	Date	Announcement (with reference to the graph above)
(q)	25 June 2024	Bursa Securities has resolved to approve AAX's application for an extension of time from 24 June 2024 to 31 July 2024 for the submission in relation to AAX's Proposals and Proposed Post-Completion Options to Bursa Securities.
(r)	26 July 2024	The Board of AAX had on 26 July 2024 decided to abort the Proposed Internal Reorganisation and to undertake AAX's Proposals (excluding the Proposed Internal Reorganisation) and Proposed Post-Completion Options under AAX instead of AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn Bhd) ("**NewCo**") as initially proposed in the announcement dated 25 April 2024. In addition, on 26 July 2024, AAX, NewCo and Capital A had entered into the AAAGL Supplemental SSPA and the AAB Supplemental SSPA (collectively, "**Supplemental Agreements**"). Pursuant to the Supplemental Agreements, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of the NewCo to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively. In respect of the Proposed Post-Completion Options, upon further deliberation between AAX and Garynma, both parties have agreed to reduce the Options from 15% in aggregate as initially announced in the announcement dated 25 April 2024 to 12% of the total enlarged issued shares in AAX immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) via 3 Subscription Options of 4% each. The other terms of the Proposed Post-Completion Options remain unchanged. Following thereto, AAX and Garynma executed a conditional subscription option agreement for the Proposed Post-Completion Options.
(s)	1 August 2024	AAX announce that the listing application in relation to AAX's Proposed Corporate Exercises and Proposed Post-Completion Options has been submitted to Bursa Securities on 31 July 2024.
(t)	28 August 2024	Unaudited quarterly financial results for the 6-month FPE 30 June 2024.

10.3.2 VWAP analysis of AAX Shares

We have compared the Issue Price against the historical closing market prices and respective VWAP of the Shares as follows:

	Last traded prices / VWAP	Premium / (Discount) of the Issue Price over the last traded prices / VWAP	
	RM	RM	%
Up to the Announcement LPD:			
Last traded price as at the Announcement LPD	1.30	-	-
5-day VWAP	1.30	-	-
1-month VWAP	1.35	(0.05)	(3.70)
3-month VWAP	1.53	(0.23)	(15.03)
6-month VWAP	1.84	(0.54)	(29.35)
12-month VWAP	1.98	(0.68)	(34.34)
Up to the LTD:			
Last traded price as at the LTD	1.24	0.06	4.84
5-day VWAP	1.21	0.09	7.44
1-month VWAP	1.28	0.02	1.56
3-month VWAP	1.47	(0.17)	(11.56)
6-month VWAP	1.78	(0.48)	(26.97)
12-month VWAP	1.98	(0.68)	(34.34)
Up to the LPD:			
Last traded price as at the LPD	1.31	(0.01)	(0.76)
5-day VWAP	1.32	(0.02)	(1.52)

(Source: Bloomberg)

Based on the table above, we noted that the Issue Price represents:

(i) a discount ranging from RM0.05 to RM0.68 (3.70% to 34.34%) to the last transacted price of AAX Shares as at the Announcement LPD and the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the Announcement LPD;

(ii) a premium of RM0.02 to RM0.09 (1.56% to 7.44%) to the last transacted price of AAX Shares as at the LTD and the five (5)-day and one (1)-month VWAP up to the LTD and a discount ranging from RM0.17 to RM0.68 (11.56% to 34.34%) over the three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LTD; and

(iii) a discount of RM0.01 (0.76%) to the last transacted price of AAX Shares as at the LPD and a discount of RM0.02 (1.52%) over the five (5)-day VWAP up to the LPD.

Although the Issue Price represents a premium to the last transacted price of AAX Shares as at the LTD and the five (5)-day and one (1)-month VWAP up to the LTD, it should be noted that this was mainly due to a sudden downward trading of AAX Shares for a period of 7 days leading up to the LTD. However subsequent thereto, AAX Shares had been trading on an increasing trend reaching a high of RM1.65 on 28 May 2024. Further, upon accounting for a longer time period, we noted that the Issue Price is at a discount over the three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LTD.

Where the Issue Price is at a discount to the market prices of AAX Shares, it would be relatively more advantageous for the non-interested shareholders of Capital A as a higher number of Consideration Shares will be issued to fulfill the AAAGL Disposal Consideration and thus, increasing the number of AAX Shares to be held by the non-interested shareholders of Capital A pursuant to the Proposed Distribution.

Premised on the above, we are of the view that the Issue Price which is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date prior to the Announcement is justifiable.

Premised on the above, we are of the view that the Issue Price of the Consideration Shares, part of which will be allotted and issued directly to shareholders of Capital A pursuant to the Proposed Distribution, is fair and not detrimental to the non-interested shareholders of Capital A.

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11. SALIENT TERMS OF THE SSPAS

Our comments on the salient terms of the AAAGL SSPA and AAB SSPA as amended by the AAAGL Supplemental SSPA, AAAGL Second Supplemental SSPA, AAB Supplemental SSPA and the AAB Second Supplemental SSPA respectively, which are extracted from Appendix IV and Appendix V of the Circular, are as follows:

11.1 Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
1. Sale and purchase *On and subject to the terms of the AAAGL SSPA, our Company agrees to sell, and AAX agrees to purchase the entire AAAGL Equity Interest (including any forms of capital contribution and any unissued capital).* *The AAAGL Equity Interest shall be sold by our Company free from encumbrances and together with all rights and advantages attaching to them as at AAAGL Completion (including the right to receive all dividends and distributions declared, made or paid on or after AAAGL Completion).*	The term is reasonable as it stipulates that the sale of AAAGL is free from any encumbrances and together with all rights attached.
2. AAAGL Disposal Consideration *The consideration for the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall be RM3,000,000,000 which is to be satisfied fully by the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 per Consideration Share.* *The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing AAX Shares, save and except that the holder of the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders of AAX, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.*	The term is reasonable as it stipulates the number of Consideration Shares to be issued and the Issue Price in the AAAGL SSPA. Please refer to Section 10.1 of this IAL for our evaluation of the AAAGL Disposal Consideration.
3. AAAGL SSPA Conditions Precedent *3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAAGL SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAAGL Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAAGL Conditions Precedent**"):*	The term is reasonable as it sets out the procedures and the necessary approvals and procedures which are customary to facilitate the completion of the Proposed AAAGL Disposal.

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed Distribution and the Proposed AAAGL Disposal; *(ii) the approval of the non-interested holders of the RCUIDS issued by our Company being obtained for the Proposed Distribution and the Proposed AAAGL Disposal;* *(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAAGL Group ("**AAAGL Target Entity**") for the Proposed Pre-Completion Restructuring, the Proposed Distribution and the Proposed AAAGL Disposal as set out below:-* *(a) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not applicable to the Proposed AAAGL Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not infringed if the Proposed AAAGL Disposal is carried into effect;* *<u>Note:</u>* *(1) Section 54(1) of the MAVCOM Act and/or Section 36T(1) of the CAAM Act (as the case may be) provides that mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.* *(b) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;*	We noted that in the event the AAAGL Conditions Precedent are not satisfied or waived on the AAAGL Cut-Off Date, both party may opt to extend the Cut-Off Date by mutual agreement or termination of the SSPA. We are also of the view that the AAAGL Cut-Off Date to satisfy all the conditions stipulated are reasonable as it provides a reasonable timeframe with an automatic extension period or such mutually agreed date, for both parties to procure the relevant requisite approvals and to be in compliance with the applicable laws and regulatory requirements.

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(c) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group; *(d) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group; and* *(e) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;* *(f) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAAGL Target Entities) in favour of lenders/financiers of the AAAGL Target Entities shall be obtained before the AAAGL Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;* *(iv) the completion of the Proposed Pre-Completion Restructuring;* *(v) the sanction of the High Court of Malaya being obtained for the capital reduction pursuant to the Proposed Distribution;* *(vi) the AAAGL Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding the AAAGL Completion Date;* *Note:* *(1) Together with the conditions precedent in the AAAGL SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
(vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX; *(viii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAAGL Disposal;* *(ix) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAAGL Disposal as set out below:-* *(a) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not applicable to the Proposed AAAGL Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not infringed if the Proposed AAAGL Disposal is carried into effect;* *(b) Takeover Panel of Securities and Exchange Commission, Thailand in respect of the proposed exemption under the applicable takeover rules in Thailand to be sought by AAX from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by AAX on completion of the Proposed AAAGL Disposal;*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(c) Bursa Securities for (1) the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities and (2) the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise (as defined below) on the Main Market of Bursa Securities; and *(d) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;* *(x) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's private placement exercise ("**Proposed Pre-Completion Private Placement Exercise**").* *"**AAAGL Cut-Off Date**" means –* *(i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above); and* *(ii) for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above, 60 days after the date of the AAAGL SSPA with an automatic extension for a further period of 60 days,* *or such other date as mutually agreed between our Company and AAX in writing.* *3.2 If the AAAGL Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAAGL Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAAGL Cut-Off Date or failing agreement to extend, the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
3.3 Between the date of the AAAGL SSPA and the AAAGL Completion Date, except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAAGL Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to AAAGL Completion with our Company's interest in the AAAGL Equity Interest intact. *"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAAGL Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("**Options**"), PROVIDED THAT, the terms of such Options are as follows:-* *(i) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAAGL Completion Date (being the date of grant of the Options);* *(ii) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and* *(iii) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
4. Completion of the Proposed AAAGL Disposal *4.1 Completion of the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall take place 1 month following the date on or by which all AAAGL Conditions Precedent have been satisfied, fulfilled and/or waived, other than those AAAGL Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.* *4.2 At AAAGL Completion, our Company shall deliver or make available to AAX the following:* *(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;* *(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAAGL Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;* *(iii) the written resignations of each of the directors of the AAAGL Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAAGL Completion Date) from his office as a director to take effect on the date of AAAGL Completion, with acknowledgements signed by each of them;* *(iv) certified true copies of the resolutions passed by AAAGL's board of directors;* *(v) the statutory books and records of AAAGL and each of the other AAAGL Target Entities, complete and up-to-date and all other records and documents of AAAGL and each of the other AAAGL Target Entities, including but not limited to the original share certificates for shares in the AAAGL Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAAGL Target Entities;*	 The term is reasonable as it serves to protect the interest of both Company and Purchaser by providing an avenue for both parties to consummate the transaction so far as practicable, extend the completion or to terminate the AAAGL SSPA.

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
(vi) all assets, machinery, office and other equipment and all other chattels of AAAGL and each of the other AAAGL Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities; *(vii) all financial and accounting records of AAAGL and each of the other AAAGL Target Entities in the possession of the AAAGL Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAAGL Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities;* *(viii) all documents of title, certificates and other documents evidencing title to the assets of AAAGL and each of the other AAAGL Target Entities capable of being delivered, including the original share certificates for each of the AAAGL Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities; and* *(ix) all other papers and documents relating to the AAAGL Target Entities which are in the possession of or under control of our Company.* *4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall:* *(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(viii) to (ix) above; and* *(ii) allot and issue the Consideration Shares and take all necessary steps to issue (and procure its share registrar to issue) the relevant share certificates under a single jumbo certificate for the Consideration Shares to Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") and procure Bursa Depository to credit the Consideration Shares into the Central Depository System accounts of: (i) the entitled shareholders of our Company for the implementation of the Proposed Distribution; and (ii) insofar as that there are any balance Consideration Shares that will not be allotted to any of the entitled shareholders of our Company pursuant to the Proposed Distribution, our Company.*	

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
4.4 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it): *(i) to effect the AAAGL Completion so far as practicable having regard to the defaults which have occurred; or* *(ii) to fix a new date for the AAAGL Completion not being later than 1 month after the intended AAAGL Completion Date, but on the basis that such deferral may only occur once; or* *(iii) to terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA and save in respect of rights arising out of any antecedent breach of the AAAGL SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAAGL Equity Interest intact.* *4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAAGL SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAAGL SSPA) or to claim damages for the breach of the other party.*	
5. Right to claim for breach of warranties *Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAAGL Completion. In the event the AAAGL Completion does not occur and the AAAGL SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAAGL SSPA.* *Nevertheless, the non-defaulting party has the right to terminate the AAAGL SSPA at any time prior to AAAGL Completion in any of the following events:* *(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or*	The term is reasonable as it sets out the conditions to be fulfilled for the non-defaulting party to exercise its right to be able to claim for breach. In addition, the term serves to safeguard the interest of the non-defaulting party by providing the right to terminate the SSPA at any time prior to the completion of the transaction, in the event that the breach stipulated under the terms materialised after the signing of the AAAGL SSPA.

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or *(iii) a Material Adverse Change[1] has occurred; or* *(iv) any other breach on the part of the defaulting party of the terms of the AAAGL SSPA occurring.* *Note:* *(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAAGL Target Entities or AAX and its subsidiaries ("**Purchaser Group**") (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-* *(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);* *(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAAGL Target Entities or the Purchaser Group (as the case may be);* *(iii) any occurrence, condition, change, event or effect resulting from or relating to:-* *(a) the announcement or pendency of the proposed sale and/or purchase of the AAAGL Equity Interest (whichever applicable);* *(b) compliance by any of our Company or AAX with the terms of the AAAGL SSPA; and* *(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and* *(iv) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAAGL Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.*	

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
6. Indemnities *Our Company shall not be liable in respect of a specific indemnity claim in the AAAGL SSPA (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Target Entities' business prior to completion of the Proposed AAAGL Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAAGL Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such thresholds, our Company shall be liable for the whole amount and not merely the excess over the thresholds. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAAGL Completion.* *Our Company will indemnify AAX and hold AAX and AAAGL Target Entities harmless against:* *(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAAGL Target Entities after AAAGL Completion) in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;* *(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAAGL Target Entities before AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;* *(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAAGL Target Entities in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date;* *(iv) any amount recovered against the AAAGL Target Entities in respect of the taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date; and* *(v) any costs reasonably incurred by the AAAGL Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and Purchaser for the amount of indemnity claim. We noted that the Seller shall not be liable if the Special Indemnity Claim does not exceed RM5.00 million and Special Claim does not exceed RM65.00 million. Further, the Seller shall be liable for the whole amount and not the excess of the threshold for the respective claim should the amount exceed such threshold.

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
7. Limitation of liability	
*7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAAGL SSPA.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and the Purchaser in respect of any claim arising from the breach of warranties.
*7.2 **Time limitation**: Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-* *(i) in the case of any Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;* *(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA), within 6 years following AAAGL Completion; or* *(iii) in the case of any other Claim, within 24 months following AAAGL Completion.*	We noted that the limitation of the liability threshold does not apply, in the event that the claim occurred as a result of fraud or wilful concealment by a party.
*7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix IV, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAAGL Disposal Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.*	
*7.4 **Aggregate minimum claims**: Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix IV) unless and until the aggregate amount of all such Claims exceeds 1% of the AAAGL Disposal Consideration (i.e. RM30,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.* *Note:-* *(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.*	

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
7.5 ***Maximum liability***: *The aggregate liability of each of our Company and AAX in respect of all Claims under the AAAGL SSPA shall not exceed:-* *(i) 100% of the AAAGL Disposal Consideration (i.e. RM3,000,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and* *(ii) 25% of the AAAGL Disposal Consideration (i.e. RM750,000,000)[(1)] in the case of any other Claim.* *Note:-* *(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.* 7.6 *None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.*	
8. Non-competition and protective covenants *Our Company undertakes that it will not, and will procure that our Group will not, during the Prohibited Period (as defined below):-* *(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity in any trade, business or occupation, or in any manner take part in or lend its name, counsel or assistance to any person in any capacity whatsoever, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);* *(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Target Entities; and* *(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,*	The term is reasonable as well as a common term for transactions of similar nature and is appropriate to ensure the Company will not compete with AirAsia Group after the completion of the Proposed AAAGL Disposal.

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAAGL Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAAGL SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAAGL Target Entities) are the AAB Group. *"**Prohibited Business**" means the current aviation business operations of AAX and the AAAGL Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAAGL Target Entities.* *"**Prohibited Period**" means the period commencing on the AAAGL Completion Date and ending on the date falling five (5) years after the AAAGL Completion.*	

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11.2 Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
1. Sale and purchase *On and subject to the terms of the AAB SSPA, our Company agrees to sell, and AAX agrees to purchase the entire AAB Equity Interest (including any forms of capital contribution and any unissued capital).* *The AAB Equity Interest shall be sold by our Company free from encumbrances (save as disclosed in our Company's disclosure letter in respect of the AAB SSPA(1)) and together with all rights and advantages attaching to them as at AAB Completion (including the right to receive all dividends and distributions declared, made or paid on or after AAB Completion).* *Note:-* *(1) Our Company's disclosure letter dated 25 April 2024 provides that one of the terms of the Revenue Bond requires AAX to charge 49% of the ordinary shares of AAB held by AAX upon AAB Completion to secure the proceeds received from the Revenue Bond.*	The term is reasonable as it stipulates that the sale of AAB is free from any encumbrances and together with all rights attached.
2. AAB Disposal Consideration *The consideration for the sale and purchase of the AAB Equity Interest under the AAB SSPA shall be RM3,800,000,000 which is to be satisfied by AAX's assumption of our Company's debt due to AAB of RM3,800,000,000 on the AAB Completion Date.* *The debt assumption by AAX shall result in the following occurring simultaneously:* *(i) AAB fully releasing our Company from the liability for the payment of the amount owing from our Company to AAB; and* *(ii) AAX fully assuming the liability for the payment of the amount owing from our Company to AAB,* *by way of the issue of a promissory note from AAX to AAB, which will substitute and cancel the existing promissory note issued by our Company to AAB.*	The term is reasonable as it sets out the terms for the settlement of the Purchase Consideration, which were mutually agreed by both parties. Please refer to Section 10.2 of this IAL for our evaluation of the AAB Disposal Consideration.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
3. AAB SSPA Conditions Precedent	
*3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAB SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAB Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAB Conditions Precedent**"):-* *(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;* *(ii) the approval of the non-interested holders of the RCUIDS being obtained for the Proposed AAB Disposal;* *(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAB Group ("**AAB Target Entity**") for the Proposed Pre-Completion Restructuring and the Proposed AAB Disposal as set out below:-* *(a) MAVCOM with regards to the proposed change in shareholding of AAB;* *(b) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;*	The term is reasonable as it sets out the procedures and the necessary approvals and procedures which are customary to facilitate the completion of the Proposed AAB Disposal. We noted that in the event the AAB Conditions Precedent are not satisfied or waived on the AAB Cut-Off Date, both party may opt to extend the Cut-Off Date by mutual agreement or termination of the AAB SSPA. We are also of the view that the AAB Cut-Off Date to satisfy all the conditions stipulated is reasonable as it provides a reasonable timeframe with an automatic extension period or such mutually agreed date, for both parties to procure the relevant requisite approvals and to be in compliance with the applicable laws and regulatory requirements.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(c) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation; *(d) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;* *(e) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group;* *(f) notification to third parties and financiers/ lenders in respect of certain operational agreements entered into by the Capital A Group and banking facilities granted to the Capital A Group; and* *(g) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;* *(h) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAB Target Entities) in favour of lenders/financiers of the AAB Target Entities shall be obtained before the AAB Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;* *(iv) the completion of the Proposed Pre-Completion Restructuring;* *(v) the AAB Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000[1] during the 3-month period immediately preceding AAB Completion Date;* *Note:-* *(1) Together with the conditions precedent in the AAB SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX; *(vii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;* *(viii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAB Disposal as set out below:* *(a) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;* *(b) Bursa Securities for the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise on the Main Market of Bursa Securities; and* *(c) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(ix) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's Proposed Pre-Completion Private Placement Exercise. *"**AAB Cut-Off Date**" means-* *(i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for the AAB Condition Precedent referred to in paragraph 3.1(vi) above); and* *(ii) for the AAB Condition Precedent referred to in paragraph 3.1(vi) above, 60 days after the date of the AAB SSPA with an automatic extension for a further period of 60 days,* *or such other date as mutually agreed between our Company and AAX in writing.* *3.2 If the AAB Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAB Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAB Cut-Off Date or failing agreement to extend, the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAB SSPA.*	

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Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
3.3 *Between the date of the AAB SSPA and the AAB Completion Date, and except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAB Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to AAB Completion with our Company's interest in the AAB Equity Interest intact.* *"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAB Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("Options"), PROVIDED THAT, the terms of such Options are as follows:-* *(i) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAB Completion Date (being the date of grant of the Options);* *(ii) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and* *(iii) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
4. Completion of the Proposed AAB Disposal	
4.1 Completion of the sale and purchase of the AAB Equity Interest under the AAB SSPA shall take place 1 month following the date on or by which all AAB Conditions Precedent have been satisfied, fulfilled and/or waived other than those AAB Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.	The term is reasonable as it serves to protect the interest of both Company and the Purchaser by providing an avenue for both parties to consummate the transaction so far as practicable, extend the completion date or to terminate the AAB SSPA.
4.2 At AAB Completion, our Company shall deliver or make available to AAX the following: *(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;* *(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAB Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;* *(iii) the written resignations of each of the directors of the AAB Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAB Completion Date) from his office as a director to take effect on the date of AAB Completion, with acknowledgements signed by each of them;* *(iv) certified true copies of the promissory note executed by our Company in favour of AAB and the written release of such promissory note executed by AAB in favour of our Company;* *(v) certified true copies of the resolutions passed by AAB's board of directors;*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(vi) the statutory books and records of AAB and each of the other AAB Target Entities, complete and up-to-date and all other records and documents of AAB and each of the other AAB Target Entities, including but not limited to the original share certificates for shares in the AAB Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAB Target Entities; *(vii) all assets, machinery, office and other equipment and all other chattels of AAB and each of the other AAB Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;* *(viii) all financial and accounting records of AAB and each of the other AAB Target Entities in the possession of the AAB Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAB Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;* *(ix) all documents of title, certificates and other documents evidencing title to the assets of AAB and each of the other AAB Target Entities capable of being delivered, including the original share certificates for each of the AAB Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities; and* *(x) all other papers and documents relating to the AAB Target Entities which are in the possession of or under control of our Company.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall: *(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(vii) to (viii) above; and* *(ii) deliver to our Company a certified true copy of the promissory note executed by AAX in favour of AAB.* *4.4 If any provision of the completion clause under the AAB SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-* *(i) to effect the AAB Completion so far as practicable having regard to the defaults which have occurred; or* *(ii) to fix a new date for the AAB Completion not being later than 1 month after the intended AAB Completion Date, but on the basis that such deferral may only occur once; or* *(iii) to terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA and save in respect of rights arising out of any antecedent breach of the AAB SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAB Equity Interest intact.* *4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAB SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAB SSPA) or to claim damages for the breach of the other party.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
5. Right to claim for breach of warranties *Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAB Completion. In the event the AAB Completion does not occur and the AAB SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAB SSPA.* *Nevertheless, the non-defaulting party has the right to terminate the AAB SSPA at any time prior to AAB Completion in any of the following events:* *(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or* *(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or* *(iii) a Material Adverse Change[(1)] has occurred; or* *(iv) any other breach on the part of the defaulting party of the terms of the AAB SSPA occurring.* *Note:* *(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAB Target Entities or the Purchaser Group (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-* *(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);* *(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAB Target Entities or the Purchaser Group (as the case may be);*	The term is reasonable as it sets out the conditions to be fulfilled for the non-defaulting party to be able to exercise its right to claim for breach. In addition, the term serves to safeguard the interest of the non-defaulting party by providing the right to terminate the SSPA at any time prior to the completion of the transaction, in the event that the breach stipulated under the terms materialised after the signing of the AAB SSPA.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(iii) any occurrence, condition, change, event or effect resulting from or relating to:- *(a) the announcement or pendency of the proposed sale and/or purchase of the AAB Equity Interest (whichever applicable);* *(b) compliance by any party with the terms of the AAB SSPA; and* *(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and* *(iv) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAB Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.*	

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Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
6. Indemnities *Our Company shall not be liable in respect of a specific indemnity claim in the AAB SSPA (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Target Entities' business prior to completion of the Proposed AAB Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAB Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to (1) arbitration and litigation proceedings on shareholder disputes in relation to Big Pay Pte Ltd and (2) ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such threshold, our Company shall be liable for the whole amount and not merely the excess over the threshold. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAB Completion.* *Our Company will indemnify AAX and hold AAX and AAB Target Entities harmless against:* *(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAB Target Entities after AAB Completion) in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;* *(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAB Target Entities before AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;* *(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAB Target Entities in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date;* *(iv) any amount recovered against the AAB Target Entities in respect of the taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date; and* *(v) any costs reasonably incurred by the AAB Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and the Purchaser for the amount of indemnity claim. We noted that the Seller shall not be liable if the Special Indemnity Claim does not exceed RM5.00 million and Special Claim does not exceed RM65.00 million. Further, the Seller shall be liable for the whole amount and not the excess of the threshold for the respective claim should the amount exceed such threshold.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
7. Limitation of liability	
*7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAB SSPA.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and the Purchaser in respect of any claim arising from the breach of warranties.
*7.2 **Time limitation**: Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-* *(i) in the case of any Claim relating to tax matters, within the applicable limitation period stipulated under the relevant laws relating to taxation;* *(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA), within 6 years following AAB Completion; or* *(iii) in the case of any other Claim, within 24 months following AAB Completion.* *7.3 **Minimum claims**: Subject to the aggregate minimum claims in Section 7.4 of this Appendix V, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAB Disposal Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.*	We noted that the limitation of the liability threshold does not apply, in the event that the claim occurred as a result of fraud or wilful concealment by a party.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
7.4 ***Aggregate minimum claims**: Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix V) unless and until the aggregate amount of all such Claims exceeds 1% of the AAB Disposal Consideration (i.e. RM38,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.* *Note:-* *(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.* 7.5 ***Maximum liability**: The aggregate liability of each of our Company and AAX in respect of all Claims under the AAB SSPA shall not exceed:-* *(i) 100% of the AAB Disposal Consideration (i.e. RM3,800,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA); and* *(ii) 25% of the AAB Disposal Consideration (i.e. RM950,000,000)[(1)] in the case of any other Claim.* *Note:-* *(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.* 7.6 *None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
8. Non-competition and protective covenants *Our Company undertakes that it will not, and will procure that our Group will not, during the Prohibited Period (as defined below):-* *(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);* *(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Target Entities; and* *(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,* *PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAB Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAB SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAB Target Entities) are the AAAGL Group.* *"**Prohibited Business**" means the current aviation business operations of AAX and the AAB Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAB Target Entities.* *"**Prohibited Period**" means the period commencing on the AAB Completion Date and ending on the date falling five (5) years after the AAB Completion.*	The term is reasonable as well as a common term for transactions of a similar nature and is appropriate to ensure the Company will not compete with AAX after the completion of the Proposed AAB Disposal.

Premised on the above, we are of the opinion that the terms contained in the SSPAs are reasonable as far as the interests of Capital A are concerned and that the salient terms are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of Capital A.

12. EFFECTS OF THE PROPOSALS

In our evaluation, we have also considered the effects arising from the Proposals as set out in Section 10, Part A of the Circular.

12.1 Issued share capital and substantial shareholders' shareholdings

We noted that the Proposals will not involve any issuance of new Shares. Therefore, the Proposals will not have any effect on the substantial shareholders' shareholdings of the Company.

Based on the illustrative price of RM1.32, being the 5-day VWAP of AAX Shares of up to and including the LPD, the Proposed Distribution will result in the reduction of the issued share capital of the Company as at the LPD of RM8.77 billion to RM6.54 billion, under the Minimum Scenario. Under the Maximum Scenario, the issued share capital of the Company will be reduced to RM7.85 billion, assuming the full exercise of the RCUIDS and Warrants prior to the Entitlement Date.

12.2 NA per share and net gearing

Based on Section 10.2, Part A of the Circular, the pro forma effects of the Proposals on the NA per Share and gearing of the Group based on the latest audited consolidated statements of financial position of the Company as at 31 December 2023, are as follows:

Minimum Scenario

		(I)	**(II)**
	Audited as at 31 December 2023	**After the Proposed AAAGL Disposal and Proposed Distribution**	**After (I) and the Proposed AAB Disposal**
	RM million	**RM million**	**RM million**
Shareholder's equity / NA (RM million)	(8,762.1)	(7,025.5)	649.4
Number of ordinary shares in issue (million)	4,254.58	4,254.58	4,254.58
NA per share (RM)	(2.06)	(1.65)	0.15
Total borrowings (RM million)	24,180	17,784	1,734
Gearing ratio (times)	N/A*	N/A	2.67

Note:

* *During the FYE 31 December 2023, the Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.*

Maximum Scenario

	Audited as at 31 December 2023	(I) Assuming all the outstanding RCUIDS and Warrants are exercised	(II) After (I) and the Proposed AAAGL Disposal and Proposed Distribution	(III) After (II) and the Proposed AAB Disposal
	RM million	**RM million**	**RM million**	**RM million**
Shareholder's equity / NA (RM million)	(8,762.1)	(7,413.0)	(5,676.4)	1,998.5
Number of ordinary shares in issue (million)	4,254.58	5,847.08	5,847.08	5,847.08
NA per share (RM)	(2.06)	(1.27)	(0.97)	0.34
Total borrowings (RM million)	24,180	24,180	17,784	1,734
Gearing ratio (times)	N/A*	N/A*	N/A	0.87

Note:

* *During the FYE 31 December 2023, the Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.*

Kindly refer to Section 10.2, Part A of the Circular for further details on the pro forma effects of the Proposals on the NA per Share and gearing of the Group.

12.3 EPS

Based on the audited consolidated financial statements of the Group for the FYE 31 December 2023, the pro forma PATAMI (assuming that the Proposals had been effected at the beginning of the FYE 31 December 2023) will increase from RM336.8 million to RM13,851.4 million under the Minimum Scenario and Maximum Scenario. The pro forma basic EPS will also increase from RM0.08 to RM3.31 under the Minimum Scenario and RM2.40 under the Maximum Scenario.

12.4 Convertible Securities

We noted that, save for the following, the Company does not have any other convertible securities in issue as at the LPD:

12.4.1 RCUIDS

We noted that there are 890,503,338 RCUIDS which remain in issue as at the LPD and are convertible into new Shares at a conversion price of RM0.75. The Proposed Distribution may result in an adjustment to the conversion price and we noted that such adjustments will be made in accordance with the relevant provisions of the RCUIDS Trust Deed to ensure the interest of RCUIDS holders will not be prejudiced as a result of the Proposed Distribution.

For illustrative purposes, based on the total number of 1,692,307,692 Distribution Shares and fair value of RM1.32 per Distribution Share, we noted that the RCUIDS Conversion Price will be adjusted from RM0.75 to RM0.26 and the Conversion Ratio from 100 new Capital A Shares to 288 new Capital A Shares for every 100 RCUIDS.

12.4.2 Warrants

We noted that there are 649,670,148 Warrants which remain outstanding as at the LPD. The Proposed Distribution may result in an adjustment to the exercise price and we noted that such adjustments will be made in accordance with the relevant provisions of the Warrants Deed Poll to ensure the interest of the Warrants holders will not be prejudiced as a result of the Proposed Distribution.

For illustrative purposes, based on the total number of 1,692,307,692 Distribution Shares and the fair value of RM1.32 per Distribution Share, we noted that the Warrant Exercise Price will be adjusted from the existing Warrant Exercise Price of RM1.00 to RM0.34.

12.4.3 ESOS Options

We noted that there are 96,100,000 outstanding ESOS Options as at the LPD and there has been no Share Grant Award since the commencement of LTIS on 2 August 2021 up to and including the LPD.

Further, under the LTIS By-Laws, if there is any variation in the capital structure of the Company during the LTIS period, the number of Shares and/or the outstanding ESOS Options and/or the price at which the relevant grantees shall be entitled to subscribe for every new Share by exercising their outstanding ESOS Options may be adjusted by the LTIS Committee with the approval of the Board. In the event the LTIS Committee decides to make adjustments due to the implementation of the Proposed Distribution, any such adjustments shall be made in accordance with the relevant provisions of the terms and conditions of the LTIS.

Further, we noted that there is no specific formula for adjustment set out in the LTIS By-Laws for variation in the capital structure of the Company during the LTIS period. Nevertheless, solely for illustrative purposes only and based on the fair value of RM1.32 per Distribution Share, we noted that the ESOS Option Price will be adjusted from the existing ESOS Option Price of RM0.7425 to RM0.2524.

Based on the pro forma effects of the Proposals, we noted that upon completion of the Proposed Disposals, the Company would have a gearing ratio of 2.67 times and 0.87 times under the Minimum Scenario and Maximum Scenario, respectively. Nonetheless, the NA position of the Company would improve from NL per Share of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and RM0.34 under the Maximum Scenario.

Premised on the above, we are of the opinion that the pro forma effects of the Proposals are not detrimental to the interests of the non-interested shareholders of Capital A.

13. RISK FACTORS OF THE PROPOSALS

In Section 9, Part A of the Circular, we note that the Board had identified various risk factors which are by no means exhaustive, relating to the Proposals. The risk factors identified and summarised together with our views are as follows:

(i) Non-completion of the Proposals

We note that the Proposals are subject to the approvals required, as set out in Section 11, Part A of the Circular being obtained. In the event that any of the approvals are not obtained, the non-completion of the Proposals might result in all the potential benefits arising therefrom not being materialised.

Further, we note that the completion of the Proposed Disposals is conditional upon, amongst others, the fulfillment of the conditions precedent stipulated in the SSPAs within the stipulated timeframe. The non-fulfillment or non-waiver of the conditions precedent within the stipulated timeframe, may result in the SSPA being terminated or delayed and the potential benefits to be derived from the Proposed Disposals may not be realised in the event the Company and AAX do not agree to extend the timeframe.

We also note that the completion of the AAAGL SSPA and AAB SSPA are subject to AAX completing the AAX Proposed Private Placement. There can be no assurance that the Proposed Private Placement would be completed as the market price of AAX Shares may be influenced by among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions, and as such, the Proposal may not be completed.

Nevertheless, we note that the Group will take reasonable steps to ensure that all conditions precedents set out in the SSPAs, insofar as they are within the control of the Company, will be fulfilled or waived (as the case may be) within the stipulated timeframe and to complete the Proposals in a timely manner.

(ii) Contractual risk

We note that the Company has provided, and are subject to, certain representations, warranties and undertakings, in favour of AAX as set out in the SSPAs. In the event that the Company breaches any of such representations, warranties and undertakings, the Company may be subject to claims in accordance with the terms and conditions of the SSPAs. There can be no assurance that such claim will not materially impact the financial performance of the Group.

We also note that the SSPAs may be terminated at any time prior to the completion of the Proposed Disposals if any of the other party's warranties was untrue or inaccurate, any inconsistency with the warranties given, is discovered, an occurrence of a Material Adverse Charge, or any other breach on the part of either the Company or AAX of the terms of the SSPAs.

In this regard, the Group will ensure that every effort is made to comply with its obligations under the SSPAs in order to minimise the risk of any breach of such representations, warranties or undertakings stipulated in the SSPAs.

(iii) Capital market risk

We note that the market price of the Consideration Shares is subject to, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions. In addition, the performance of the Malaysian share market, where the AAX Shares are listed, is dependent on the economic and political conditions in Malaysia as well as external factors such as, among others, the performance of the world bourses and flows of foreign funds. As such, there is no assurance that the market price of the Consideration Shares will trade at or above RM1.30 per AAX Share after the completion of the Proposals.

Nevertheless, the Group will closely monitor the share price movement of the Company and will ensure taking the aforementioned external factors into account before corporate announcements and formulation of corporate strategies.

(iv) Lower gains arising from the Proposed AAAGL Disposal

We noted that the reduction in the effective ownership in AAAGL arising from the Proposed AAAGL Disposal would cause the Company's remaining investment in AAAGL to be measured at fair value as a result of the loss of control over AAAGL as a subsidiary.

Further, the Proposed Distribution to be undertaken by the Company in conjunction with the Proposed AAAGL Disposal will result in the Company holding AAX Shares. It should be noted that such AAX Shares is required to be remeasured based on its fair value on the actual AAAGL Completion Date (which is not known until a later date). In the event that the market price of AAX Shares falls below the Issue Price of RM1.30 on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal. On the other hand, if the market price of AAX Shares trades above RM1.30 on the AAAGL Completion Date, the net increase in value would contribute to an increased gain arising from the Proposed AAAGL Disposal.

Therefore, the gain arising from the Proposed AAAGL Disposal as at the actual AAAGL Completion Date could be materially different from that illustrated in the pro forma effect of the Proposals and they should not be taken to represent the final gain on disposal as at the actual AAAGL Completion Date. We noted from Section 9.4, Part A of Circular that, for the avoidance of doubt, there will not be any impairment of goodwill arising from the Proposed Disposals.

Nevertheless, we are of the view that the potential negative impact that would result from this risk would be mitigated, given the positive outlook of the aviation industry.

(v) Loss of contribution from AAAGL Group and AAB Group

We noted that the Company will no longer be able to consolidate the earnings or losses from AAAGL Group and AAB Group as a result of the completion of the Proposed Disposals. For the FYE 31 December 2023, the aviation arm of the Group had contributed approximately RM12.05 billion or 84.49% of the Group's revenue (before elimination adjustments) whereas the Retained Segments has contributed RM2.21 billion or the remaining 15.51% of the Group's revenue (before elimination adjustments). Therefore, the loss of contribution from both AAAGL and AAB Group would materially impact the revenue generated by the Company.

Nevertheless, we noted that the Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and therefore expected to improve the shareholders' equity of the Group in the effort to regularise its financial condition. Pursuant to the completion of the Proposed Disposals, the Group will focus on aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business of the New Aviation Group, which will be a pure aviation business that offers both long and short haul routes under the AirAsia brand name, and we noted that the synergistic benefits from the ecosystem of the services offered under the AirAsia brand name are expected to contribute positively to the Retained Segments and financial performance of the Group.

(vi) Risk of AAX falling back into PN17 status

We noted that the Company is expected to retain 18.48% of the enlarged total number of issued shares of AAX post completion of the Proposals and AAX's Proposed Corporate Exercises.

Although AAX was uplifted of its PN17 status on 22 November 2023, there is no assurance that AAX will not be classified as PN17 again if it triggers any of the prescribed criteria under Paragraph 2.1 of PN17 of the Listing Requirements as a result of the Proposed Disposals.

Nevertheless, we are of the view that this risk could be mitigated given the positive outlook of the aviation industry and the expected synergistic benefits of housing all the airline under the "AirAsia" brand under one entity. Further, we also noted that AAX will be undertaking the AAX Proposed Private Placement which is expected to strengthen AAX's financial position. We also noted that one of the conditions precedent in the SSPAs requires that each of the AAAGL Group and AAB Group does not incur or record an aggregate loss exceeding RM50.00 million during the 3-month period immediately preceding the AAAGL Completion Date and AAB Completion Date respectively which would help to minimise the possibility of AAX falling back into PN17 company status.

(vii) Dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options

We noted that AAX is desirous to grant Garynma the AAX Subscription Options by way of the AAX Post-Completion Options. Should Garynma exercise the AAX Subscription Options, it would result in the dilution of the Company's shareholdings in AAX. The level of dilution of the Company's shareholdings in AAX would depend on the number of AAX Shares subscribed by Garynma under the AAX Proposed Post-Completion Options.

Further, we noted that pursuant to the completion of the Proposals and the AAX Proposals, which comprises of AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options, the Company is expected to retain 16.50% of the enlarged total number of issued shares of AAX post completion of the AAX Proposals, assuming 885.0 million AAX Placement Shares are issued at an issue price of RM1.13, and the full subscription of the AAX Proposed Post-Completion Options after the completion of the AAX Proposed Private Placement.

Nevertheless, we noted that the AAX Proposed Post-Completion Options would only potentially dilute the percentage of shareholdings of the Company and the Entitled Shareholders in AAX but not the number of AAX Shares held. Further, we also noted that the dilution in the shareholding will not have any material changes on the key senior management team in control as they will still carry on with their existing roles and responsibilities to ensure business continuity as usual.

We are of the view that the exercise price of the AAX Subscription Options is reasonable as it will be based on the market price of the AAX Shares as at the last trading day prior to the acceptance by Garynma of the Subscription Option during the period of 48 months from the date of granting of the Subscription Option. The share issuances, despite of the shareholding dilution as a result of Garynma's decision to exercise the AAX Subscription Options, would provide additional funding to AAX and strengthen its shareholder fund.

We are of the view that the risk factors are common for transaction of such nature, especially when the consideration is satisfied via listed company's shares. Further, given the positive outlook in the aviation industry as set out in Section 14 of this IAL, we believe that the potential negative impact, if any, arising from the risks could be minimised. Notwithstanding the loss of contribution from AAAGL and AAB, the Company is expected to record a gain on remeasurement of the remaining interest in AAAGL and gain on disposal of AAB upon completion of the Proposed Disposals, thus improving the financial position of the Group. In addition, given the positive outlook of the aviation industry, this would bode well for the Group moving forward which will focus on the aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business.

Nevertheless, we note that although measures will be taken by the Group to contain or mitigate the risks highlighted arising from the Proposals, no assurance can be given that the risks will not crystallise and give rise to material and adverse impact on the financial position and business of the Group as well as the investment in AAX held by Capital A and the Entitled Shareholders pursuant to the Proposed Distribution.

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14. INDUSTRY OUTLOOK AND PROSPECTS

14.1 Overview and prospects of the Malaysian Economy

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in electrical and electronics (E&E). The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

Growth in the second half of 2024 will be driven by domestic spending with continued strong support from external demand. On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production.

(Source: Economic and Financial Developments in the Malaysian Economy in the 2nd Quarter of 2024, Bank Negara Malaysia)

14.2 Overview and prospects of the aviation industry

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

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

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

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

Boeing forecasts Southeast Asia passenger air traffic to more than triple over the next 20 years, driven by above global average economic growth and a rising middle class. The region's airplane fleet is also projected to more than triple to 4,960 jets to meet the rising air travel demand, according to Boeing's 2024 Commercial Market Outlook ("**CMO**"), the company's long-term demand forecast for commercial airplanes and services.

Through 2043, passenger air traffic in Southeast Asia will grow 7.2% annually – well above the 4.7% average annual growth rate globally – according to the CMO.

"With Southeast Asia's economy forecast to have the second-highest growth rate among global regions, rising household incomes will bring new consumers into this aviation market, fueling growth for low cost and leisure business models," said David Schulte, managing director of Boeing Commercial Marketing for Northeast Asia, Southeast Asia and Oceania.

"Southeast Asia's growing fleet – especially single-aisle airplanes – will play an important role in further connecting the region's island geography and serving travel demand across the Asia-Pacific region, particularly routes to China and Northeast Asia," Schulte said.

Through 2043, Boeing also forecasts:

- Airlines in Southeast Asia will expand their share of the Asia-Pacific fleet from 17% to 25%.

- To meet long-haul demand, widebodies like the 787 Dreamliner will make up one in five deliveries in Southeast Asia.

- The region will need more than 120 new and converted freighters to support increasingly diversified global supply chains as well as growing e-commerce demand.

Southeast Asia operators will need to hire and train 234,000 new pilots, maintenance technicians and cabin crew – more than tripling the region's active personnel.

Southeast Asia's commercial aviation industry continues to focus on improving sustainability. Nearly 1,200 new, more fuel-efficient airplanes will replace aging jets in the region over the next 20 years. Also, as global aviation aims to achieve net-zero by 2050, this region's available bio-based feedstocks can supply approximately 12% of global sustainable aviation fuel ("**SAF**") demand, according to the Boeing-supported SAF feedstock assessment.

(Source: News release titled "Southeast Asia Air Traffic to More Than Triple through 2043", by Boeing published on 19 September 2024, website: https://boeing.mediaroom.com/news-releases-statements?item=131490)

Due to the stronger than anticipated passenger traffic performance, Malaysian Aviation Commission ("**MAVCOM**") has revised upwards its previous 2023 air passenger traffic forecast. Passenger growth is now expected to reach between 54% year-on-year to 58% year-on-year, translating to 84.5 million to 86.5 million passengers in 2023 (previous forecast: 74.6 million to 80.8 million). Looking ahead to 2024, MAVCOM anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting 10% year-on-year to 25% year-on-year growth. This forecast signifies a recovery of up to 98% of 2019 levels in 2024.

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

14.3 Prospects of AAX

We note that as at the LPD, the AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and does not own any aircraft.

Upon completion of the Proposed Disposals, the New Aviation Group will house all the airline entities operating under the "AirAsia" brand to form the New Aviation Group. We note that such New Aviation Group will encompass short, medium and long-haul, low cost air transportation services. We also note that the New Aviation Group will continue to adopt a low-fare business model and will be led by seasoned key senior management. The New Aviation Group is expected to maintain a total fleet of 242 aircraft with 209 aircraft in operation by the completion of the Proposals expected in early 2025 of which 3 aircrafts are owned and the remaining aircraft are leased by the New Aviation Group.

The New Aviation Group will also be able to leverage on synergetic benefits from the AirAsia Ecosystem and capitalise on the anticipated increase in air passengers as disclosed in Section 14.2 of this IAL, via the following:

(i) the airlines within the New Aviation Group will focus on increasing their flight frequencies and expand their fleet of aircrafts to capture growing demand for air-travel;

(ii) capitalise on the growing prospects of the airline industry by increasing passenger volume, which will contribute to growth in its market share and maintain its market position; and

(iii) further growth in revenue from ancillary services to enhance the airlines' financial performance, through pricing optimization and automation, product innovation, marketing expansion, personalized marketing and strategic collaboration and partnership between the New Aviation Group and AirAsia Group to increase cross-selling opportunities.

Premised on the above, we note that the New Aviation Group is anticipated to gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand and secure continuous support services from the AirAsia Ecosystem.

14.4 Future plans and prospects of the Group

We note the prospects of the Group as disclosed in Section 7, Part A of the Circular, in which the Board intends to maintain the listing status of the Company and the Group's core businesses after the completion of the Proposed Disposals are principally in the following:

(i) Capital A Aviation Services;

(ii) Digital Businesses;

(iii) Logistics; and

(iv) Brand Management.

The description and future plans of the aforementioned businesses are as follows:

Businesses	Description	Future plans
Capital A Aviation Services	• <u>Aviation MRO business</u> ADE primarily provides engineering maintenance services, component and warehouse services, engineering support services as well as digital and innovation services which involves maintenance, provision of consumable parts and equipment, fleet and technical asset management for maintenance activities as well as online marketplace to facilitate the buying and selling of new and used aircraft parts. For the FYE 31 December 2023, ADE recorded an audited revenue of RM574.00 million and PAT of RM115.33 million.	• ADE plans to expand its Aviation MRO services to other countries in Southeast Asia • ADE is undertaking expansion of its hangar capacity in Kuala Lumpur International Airport ("**KLIA**")

Businesses	Description	Future plans
	• <u>In-flight catering business</u> Santan carries out inflight catering services as well as food services on the ground under operation and management of a café chain under the "Santan Café" trade name, and the preparation and sale of frozen and ready-to-eat food in convenience stores. For the FYE 31 December 2023, Santan has recorded an audited revenue of RM133.60 million and PAT of RM15.81 million.	• Santan is applying for an inflight license to serve third party airlines starting in Malaysia. While waiting for the license approval, Santan will be using its expertise to offer inflight services to bus and train operators • Santan also intends to expand its customer base for frozen and ready-to-eat food by targeting hotels and food and beverage service providers. In the long run, Santan aims to expand its customer base to achieve a volume advantage that would in turn drive down cost and improve operational efficiencies
Digital Businesses	• <u>AirAsia MOVE</u> AirAsia MOVE operates and manages an online travel agency focusing on selling flight tickets, hotels, airport transfer, duty free shopping and other travel related services. For the FYE 31 December 2023, AirAsia MOVE Group has recorded an unaudited revenue of RM668.90 million and PAT of RM58.11 million.	• AirAsia MOVE plans to intensify its marketing and personalisation efforts to promote the flight and hotel segments while prioritising strategic technological enhancements to elevate the overall customer experience and increase conversions • Actively securing preferential fare classes and exclusive airline and hotel partnerships to strengthen its competitive edge and drive market share growth
	• <u>BigPay</u> BigPay is principally involved in financial technology services. It offers digital financial services through the BigPay platform which comprises a mobile application, an e-wallet and a physical prepaid card. Its products and services are primarily payment services, remittance services, e-wallets and stashes, its Marketplace and lending services. For the FYE 31 December 2023, BigPay has recorded an unaudited revenue of RM46.01 million and LAT of RM106.92 million.	• BigPay Group has begun collaborating with AirAsia MOVE Group in October 2023 to, amongst others, embed BigPay's financial services features into the AirAsia MOVE Super App and encourage a higher proportion of payments to be done via BigPay • BigPay is focused on building (and nudging users towards) features with positive unit economics, which will subsequently increase its average revenue per user. By encouraging users to spend within the existing ecosystem through AirAsia MOVE and BigPay, users will be rewarded with points that can be redeemed for subsequent purchases

Businesses	Description	Future plans
Logistics	• Teleport Teleport is involved in the provision of airport-to-airport logistics services using AirAsia's network of passenger aircraft belly space and freighter aircraft as well as third-party airlines, customisable first-to-last mile cross-border delivery and cross-border door-to-door parcel delivery services carried out within the same day. Its customers are mainly global freight forwarders, courier companies, e-commerce marketplaces, retailers and other multinational and local conglomerates and companies exporting their products. For the FYE 31 December 2023, Teleport has recorded an audited revenue of RM744.72 million and LAT of RM3.13 million.	• Teleport plans to expand its business by leveraging on AirAsia's extensive air network, the capacity provided by its own recently inducted freighters as well as numerous strategic partnerships to achieve its aim of becoming a major integrated logistic solution provider and partner • Expand capacity, network reach and service offering through its ability to combine AirAsia's extensive air network with complimentary freighter and Air Partners capacity
Brand Management	• Brand AA Brand AA is the exclusive licensor of the AirAsia Brand and carries out intellectual property development, licensing and management business. Brand AA charges a royalty fee rate of 1% on all revenues (including fares and ancillary income) of the AOCs and TAAX whereas AAX pays a royalty fee of 0.5%. For the FYE 31 December 2023, Brand AA has recorded an audited revenue of RM44.69 million and PAT of RM12.20 million.	• Brand AA plans to leverage on the intellectual properties built within the Group to create new co-branding and business opportunities • Brand AA intends to strategically expand beyond the AirAsia Brand into the general retail landscape through brand partnerships, acquisition and merchandising

Premised on the above, we noted that the Proposed Disposals allow the Group to strategically diversify from being one of the major low-cost carrier in Southeast Asia into a diversified ecosystem of aviation, logistics and digital services which are essential and complementary to the passenger airlines business. This shift is designed to capture opportunities beyond traditional airline operations, directly responding to evolving consumer demands and technological advancements.

The Proposed Disposals are also expected to result in greater clarity of investment between the Company and AAX, which will be the pure aviation business consolidating both long and short haul routes under the AirAsia brand name.

In view of the outlook of the aviation industry in Malaysia as well as Southeast Asia as set out in Section 14.2 of this IAL and the positive outlook of the countries which the AOCs are operating in as set out in Section 8.2, Part A of the Circular, it augurs well for the Group and AAX to leverage on the anticipated increase in the number of air passengers in the world, via its respective distinct businesses.

Premised on the foregoing, in view of the positive outlook of the Malaysian economy as well as the aviation industry in Southeast Asia, prospects of AAX, future plans and prospects of the Group, we are of the view that the prospects of the Group is expected to be favourable upon completion of the Proposed Disposals.

15. ALTERNATIVE BIDS

As at the LPD, the Board has not received any alternative bids for the disposal of AAAGL and AAB.

We noted that the aviation business is an industry which requires specialised skills and designated licenses for operation. Such nature of the aviation business with high barrier of entry may cause the process of seeking for alternative bids for the entire equity interest in AAAGL and AAB to be time-consuming. We also noted that the Board had on 8 January 2024, announced that the Company had entered into a non-binding letter of offer with AAX for the Proposed Disposals and subsequently entered into the AAAGL SSPA and AAB SSPA on 25 April 2024.

In view of the above, the Proposed Disposals represent an opportunity for Capital A to realise the benefit as stipulated in Section 6, Part A of the Circular.

16. LISTING STATUS OF CAPITAL A

We noted that the Proposed Disposals are deemed as Major Disposal as the Proposed Disposals entail the disposal by the Company of its major business which may result in Capital A being no longer suitable for continued listing on the Official List of Bursa Securities. Pursuant to Paragraph 8.03A of the Listing Requirements, a listed corporation must maintain an adequate level of operations to warrant continued trading or listing on the Official List of Bursa Securities.

In addition to the aforementioned, the Company will be classified as an "Affected Listed Corporation" pursuant to Paragraph 8.03A(2) of the Listing Requirements, where a listed corporation may not have a level of operations that is adequate to warrant continued trading or listing on the Official List in the event of, amongst others, the following circumstances:

(a) it has disposed its major business, i.e., such proportion that contributes or generates 70% or more of the listed corporation's revenue on a consolidated basis based on its latest annual audited or unaudited financial statements; or

(b) it has an insignificant business or operations. i.e., its business or operations generate revenue on a consolidated basis representing 5% or less of the share capital (excluding any redeemable preference shares and treasury shares) of the listed corporation based on its latest annual audited or unaudited financial statements.

Based on the Group's latest audited financial statements for the FYE 31 December 2023, 84.49% of the Group's revenue were contributed by the aviation business. As such, the Proposed Disposals would result in the Company falling within the ambit of the aforementioned Paragraph 8.03A(2) of the Listing Requirements.

Pursuant to Paragraph 8.03A of the Listing Requirements, an "Affected Listed Corporation" is required to, amongst others, regularise its condition within 12 months failing which, Bursa Securities may suspend the trading of its shares or delist the listed corporation. We noted that Capital A is classified as a PN17 Issuer and as such would be required to undertake a regularisation plan in accordance to PN17 as well as Paragraph 8.03 of the Listing Requirements. Notwithstanding the 12 months period to regularise the Group's condition pursuant to subparagraph 8.03A(3) of the Listing Requirements, we noted that the Company will adhere to the PN17 timeline to regularise the Group's condition. Pursuant to subparagraph 8.04(3) of the Listing Requirements, the Company as a PN17 Issuer must, amongst others, regularise its condition within 12 months from the date it announces that it has been classified as a PN17 Issuer, submit a regularisation plan to Bursa Securities and obtain Bursa Securities' approval to implement the plan. Nevertheless, we also noted that the Retained Segments had recorded a revenue of RM2,211.91 million and a PAT of RM91.40 million for FYE 31 December 2023.

The Company had on 19 August 2024 announced that Bursa Securities had granted the Company an extension of time up to 31 December 2024 to submit the regularisation plan to the regulatory authorities. We noted that the Company will make a requisite announcement on the regularisation plan upon its finalisation. The extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:

(i) the Company fails to submit the regularisation plan to the regulatory authorities on or before 31 December 2024;

(ii) the Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of the regularisation plan; or

(iii) the Company fails to implement the regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company on the 6th market day after the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

Further, we also noted that the Company is not expected to be classified as a Cash Company as a result of the Proposed Disposals. Pursuant to Paragraph 8.03 of the Listing Requirements, a Cash Company is defined as a listed issuer whose assets on a consolidated basis, consist of 70% or more of cash or short-term investments, or a combination of both.

Based on the Group's latest audited financial statements for the FYE 31 December 2023 and upon the completion of the Proposed Disposals, the Group would have an expected cash and short-term investments amounted to RM313.29 million which represents approximately 10.16% of the Group's expected total assets of RM3,082.32 million post the completion of the Proposals.

17. ADEQUACY OF FINANCIAL RESOURCES OF AAX

We noted that the total disposal consideration of RM6,800.0 million in relation to the Proposed Disposals will be satisfied in the following manner:

(i) the issuance of new AAX Shares at the Issue Price of RM1.30 per Consideration Share amounting to approximately RM3,000.0 million; and

(ii) Debt Settlement of approximately RM3,800.0 million.

Pursuant to the above, we noted that the Board is satisfied that AAX has sufficient financial resources to undertake the acquisition after taking into consideration the audited consolidated financial statements of AAX and the fact that no cash is being involved in the Proposed Disposals.

18. FURTHER INFORMATION

We advise you to refer to the enclosed appendices contained in the Circular for further information.

19. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals, taking into consideration the various factors set out in this IAL. In arriving at our conclusion and recommendation, we have considered and summarised the following pertinent factors, which the non-interested shareholders should consider when forming their views on the Proposals as follows:

Consideration factors	Our evaluation
Rationale and benefits of the Proposals	The Proposals would allow Capital A to achieve the following: (a) concentrate its resources and skills towards more specialised areas which are supplemental to the aviation business. Such streamlining is expected to result in higher efficiencies and reduced redundancies as the aviation business is consolidated under AAX; (b) greater clarity of investment between Capital A and AAX that allow the capital market and potential investors to better ascertain the potential as well as the prospects of each entity. This is expected to facilitate business-centric valuation and allow the Entitled Shareholders to benefit from the diversification of their investment portfolios based on their respective shareholdings in the Company and AAX upon completion of the Proposals; (c) enable the Company to exit from the aviation business and further strengthen its financial position with an expected pro forma gain to be realised post-completion of the Proposed Disposals; and (d) reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX. Pursuant to the above, we are of the view that the sale of the aviation business and pro forma gain arising from the Proposed Disposals will contribute positively towards the regularisation of financial position for the Company. Further, the Company will also be able to continue to maintain their participation in the future prospects of the aviation industry via the shareholdings in AAX arising from the Proposed Distribution. Premised on the above, we are of the opinion that the rationale and benefits of the Proposals are fair and reasonable and are not detrimental to the interests of the non-interested shareholders.
Evaluation of the Proposals	• We are of the opinion that the AAAGL Disposal Consideration of RM3,000.0 million is fair as it is within the AAAGL's valuation range derived by PIVB of RM2,964.0 million to RM3,207.0 million and AAAGL's valuation range ascribed by DCAS of RM2,880.0 million to RM3,691.0 million. • We are of the view that the AAB Disposal Consideration of RM3,800.0 million is fair as it is within the AAB's valuation range derived by PIVB of RM3,762.0 million to RM4,215.0 million and AAB's valuation range ascribed by DCAS of RM3,721.0 million to RM4,602.0 million. • We are of the view that the method of settlement for the AAB Disposal Consideration is reasonable. • We are of the view that the Issue Price of the Consideration Shares, part of which will be allotted and issued directly to shareholders of Capital A pursuant to the Proposed Distribution, is fair and not detrimental to the non-interested shareholders of Capital A.

Consideration factors	Our evaluation
Evaluation of the salient terms of the SSPAs	We are of the opinion that the terms contained in the SSPAs are reasonable as far as the interests of Capital A are concerned and that the salient terms are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of Capital A.
Effects of the Proposals	• The Proposals will not involve any issuance of new Capital A Shares and therefore will not have any effect on the substantial shareholders' shareholdings of the Company. • The Group's NA per Share will increase from NL of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and NA per Share of RM0.34 under the Maximum Scenario. • The completion of the Proposals would result in a gearing ratio of 2.67 times and 0.87 times under the Minimum Scenario and Maximum Scenario, respectively • The pro forma EPS will increase from loss per Share of RM0.08 to EPS of RM3.31 under the Minimum Scenario and EPS of RM2.40 under the Maximum Scenario. Premised on the above, we are of the opinion that the pro forma effects of the Proposals are not detrimental to the interests of the non-interested shareholders of Capital A.
Risk factors of the Proposals	The risk factors of the Proposals identified are as follows: (a) non-completion of the Proposals; (b) contractual risk; (c) capital market risk; (d) lower gains arising from the Proposed AAAGL Disposal; (e) loss of contribution from AAAGL Group and AAB Group; (f) risk of AAX falling back into PN17 status; and (g) dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options. We are of the view that the risk factors are common for transaction of such nature, especially when the consideration is satisfied via listed company's shares. Further, given the positive outlook in the aviation industry, we believe that the potential negative impact, if any, arising from the risks could be minimised.
Industry outlook and prospects	In view of the positive outlook of the Malaysian economy as well as the aviation industry in Southeast Asia, prospects of AAX, future plans of the Group and prospects of the Group, we are of the view that the prospects of Group is expected to be favourable upon completion of the Proposed Disposals.

Consideration factors	Our evaluation
Alternative bids	As at the LPD, the Board has not received any alternative bids for the disposal of AAAGL and AAB.
Listing status of Capital A	• The Proposed Disposals are deemed as Major Disposal and the Company will be classified as an "Affected Listed Corporation" pursuant to Paragraph 8.03A(2) of the Listing Requirements post the completion of the Proposed Disposals. The Company is also classified as a PN17 Issuer. • The Company is required to, amongst others, regularise its condition within 12 months in accordance to PN17 as well as Paragraph 8.03 of the Listing Requirements, failing which, Bursa Securities may suspend the trading of its shares or delist the listed corporation. Nevertheless, we noted that the Retained Segments had recorded a revenue of RM2,211.91 million and a PAT of RM91.40 million for FYE 31 December 2023.
Adequacy of financial resources of AAX	We noted that the Board is satisfied that AAX has sufficient financial resources to undertake the acquisition after taking into consideration the audited consolidated financial statements of AAX and the fact that no cash is being involved in the Proposed Disposals.

Premised on our evaluation of the Proposals, we are of the view that the Proposals are ***fair*** and ***reasonable*** and ***not detrimental*** to the non-interested shareholders of Capital A.

Accordingly, we recommend that the non-interested shareholders ***vote in favour*** of the special resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
For and on behalf of
PUBLIC INVESTMENT BANK BERHAD

Lee Yo-Hunn
Chief Executive Officer

Rachel Ong Ly-Shil
Head
Corporate Finance & Advisory

INFORMATION ON AAX

1. HISTORY AND BUSINESS

AAX was incorporated on 19 May 2006 as a private limited company in Malaysia under the Companies Act 1965 and is deemed registered under the Act. It was incorporated under the name of Eden Hub Sdn Bhd. Its name was subsequently changed to Fly Asian Xpress Sdn Bhd on 1 June 2006 and to AirAsia X Sdn Bhd on 21 September 2007. It was then converted into a public company and assumed its present name on 9 October 2012. On 10 July 2013, it was listed on the Main Market of Bursa Securities.

The principal activity of AAX is the provision of long haul air transportation services while its subsidiaries are principally involved in the provision of aircraft leasing facilities and the provision of management logistical and marketing services. Its associate company, namely Thai AirAsia X Co., Ltd, is an operator of commercial air transport services based in Thailand which provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region. As at 31 December 2023, AAX serviced 22 destinations within its network including Australia, China, India, South Korea, Japan, Taiwan, Indonesia and Saudi Arabia.

Based on the audited consolidated financial statements of AAX for the FYE 31 December 2023, AAX Group derives 63.2% of their revenue domestically whereas the remaining 36.8% of their revenue is derived from Thailand.

As at the LPD, AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and do not own any aircraft.

There is no significant amount spent on research and development by AAX.

On 25 April 2024 and 26 July 2024, Interpac had, on behalf of the board of directors of AAX, announced AAX's corporate exercises as summarised below:

(a) Proposed Issuance of Warrants

The proposed issuance of up to 223,536,401 free warrants in AAX ("**AAX Warrants**") on the basis of 1 AAX Warrants for every 2 AAX Shares held by existing shareholders of AAX on an entitlement date to be determined by the board of directors of AAX ("**AAX Proposed Issuance of Warrants"**).

(b) AAX Proposed Private Placement

The proposed issuance of new AAX Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.0 million. The quantum of gross proceeds has been determined upfront while the issue price has not been determined in order to provide flexibility to the board of directors of AAX in respect of the pricing of the AAX Placement Shares. The actual number of AAX Shares to be issued will depend on the issue price of the AAX Placement Shares to be determined later.

The AAX Placement Shares will be issued based on a discount of not more than 15% to the 5-day VWAP of AAX Shares up to and including the last trading day prior to the price-fixing date of the AAX Placement Shares which is to be determined by the board of directors of AAX after taking into consideration the prevailing market conditions and in any event, the minimum issue price of the AAX Placement Shares shall be RM1.00 per AAX Placement Share. The proposed private placement by AAX may be implemented in 1 or multiple tranches and as such, there may be several price-fixing dates and placement issue prices.

(c) Proposed Acquisitions by AAX

The proposed acquisition by AAX of the AAAGL Equity Interest and AAB Equity Interest from our Company pursuant to the AAAGL SSPA and AAB SSPA ("**AAX Proposed Acquisitions**").

(d) Proposed Capital Reduction by AAX

Proposed capital reduction of the issued share capital of AAX to RM100.00 million pursuant to Section 116 of the Act to in order to fully eliminate AAX's accumulated losses as well as to have additional credit buffer which can be used to set off any future losses of AAX ("**AAX Proposed Capital Reduction**").

For reference, the AAX Proposed Issuance of Warrants, the AAX Proposed Private Placement, AAX Proposed Acquisitions and AAX Proposed Capital Reduction shall be referred to as **"AAX's Proposed Corporate Exercises**".

In addition to the AAX's Proposed Corporate Exercise, AAX also intends to undertake AAX Proposed Post-Completion Options as follows:

(i) AAX Proposed Post-Completion Options

Upon completion of the AAX's Proposed Corporate Exercises, the Board of AAX is desirous to grant Garynma the AAX Subscription Options to subscribe for such number of AAX Shares representing, in aggregate, 12% of the total enlarged issued share capital of AAX comprising of 3 AAX Subscription Options of 4% each pursuant to the AAX Proposed Post-Completion Options. The AAX Subscription Options when granted may be individually accepted in full or in part by Garynma ("**Acceptance of AAX Subscription Options**") at any point of time within 24 months from the granting of such AAX Subscription Options. Upon Acceptance of AAX Subscription Options, the AAX Subscription Option may be exercised in full or in part at any point of time for a period of 48 months from the date of granting of the AAX Subscription Option ("**AAX Subscription Options Period**") and shall lapse after the AAX Subscription Options Period. The issue price of AAX Shares pursuant to the exercise of such Subscription Option shall be the market price of AAX Shares as at the last trading day prior to the Acceptance of AAX Subscription Options. AAX will enter into an agreement with Garynma for the AAX Proposed Post-Completion Options upon receipt of its shareholders approval in its EGM to be held.

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

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

As highlighted in Section 9.7 of Part A of this Circular, the AAX Proposed Post-Completion Options is expected to result in the dilution of shareholdings of shareholders of AAX, including our Company and our Entitled Shareholders, as and when the AAX Subscription Options are exercised.

For reference, AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options shall be referred to as "**AAX Proposals**".

Further details on the AAX Proposals can be found in AAX's announcements dated 25 April 2024 and 26 July 2024 made on Bursa Securities' website.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAX is RM51,029,000 comprising 447,072,803 AAX Shares.

3. SUBSTANTIAL SHAREHOLDERS

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

Substantial Shareholders	Country of Incorporation	No of AAX Shares	%
AAB	Malaysia	57,072,850	12.77
TGSB[(1)]	Malaysia	73,960,286	16.54

Notes:

(1) As at the LPD, the directors and major shareholders of TGSB and their respective shareholdings in TGSB are set out below:

			Direct		Indirect	
Directors	Nationality	Designation	No of shares	%	No of shares	%
Tan Sri Anthony Francis Fernandes	Malaysian	Director	334,110,000	50.00	-	-
Datuk Kamarudin bin Meranun	Malaysian	Director	334,110,000	50.00	-	-
Ong Yoon Hooi	Malaysian	Alternate Director to Tan Sri Anthony Francis Fernandes	-	-	-	-
Karena Fernandes	Malaysian	Alternate Director to Datuk Kamarudin bin Meranun	-	-	-	-

		Direct		Indirect	
Major Shareholders	Nationality	No of shares	%	No of shares	%
Tan Sri Anthony Francis Fernandes	Malaysian	334,110,000	50.00	-	-
Datuk Kamarudin bin Meranun	Malaysian	334,110,000	50.00	-	-

INFORMATION ON AAX (CONT'D)

4. DIRECTORS

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

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

Notes:

* *Negligible.*

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

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

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

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

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
AirAsia X Services Pty Ltd	4 January 2010 / Australia	USD 1.00	100	Provision of management logistical and marketing services
AAX Mauritius One Limited	16 December 2013 / Mauritius	USD 1.00	100	Provision of aircraft leasing facilities
AAX Aviation Capital Ltd	14 March 2018 / Malaysia	USD 1,000	100	Holding company
AAX Leasing One Ltd	15 March 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities

INFORMATION ON AAX (CONT'D)

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
AAX Leasing Two Ltd	24 May 2018/ Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Five Ltd	25 October 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eight Ltd	26 October 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Ten Ltd	12 December 2018 / Malaysia	USD1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eleven Ltd	18 January 2019/ Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Twelve Ltd	1 September 2022 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Thirteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Fourteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Fifteen Ltd	5 September 2022 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Sixteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Seventeen Ltd	3 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eighteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Nineteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities

5.2 Associate company

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

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

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6. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of AAX for the past 3 financial years up to the FYE 31 December 2023 and the unaudited consolidated financial information for the unaudited 6-month FPE 30 June 2024 are set out below:

	Audited			Unaudited
	[a] 18-month FYE 30 June	[b] 18-month FYE 31 December	12-month FYE 31 December	6-month FPE 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	1,132,624	825,860	2,527,096	1,578,058
(LBT)/PBT	(33,675,165)	32,696,344	343,773	85,440
(Loss)/Profit before tax after minority interest	(33,675,165)	32,696,344	343,773	85,440
(LATAMI)/PATAMI	(33,675,158)	33,308,585	331,505	84,938
Share capital	1,534,044	1,534	51,029	51,029
Shareholders' fund/NA	(33,567,101)	(259,229)	116,175	205,675
Total interest-bearing borrowings	6,766,609	1,062,482	1,512,025	1,490,211
No. of issued shares ('000)	4,148,149	414,815	447,073	447,073
(Loss)/Earnings per share (RM)	(8.12)	80.30	0.74	0.19
(NL)/NA per share (RM)	(8.09)	(0.62)	0.26	0.46
Current ratio (times)	0.01	0.60	0.57	0.53
Gearing ratio (times)[c]	(0.20)	(3.42)	12.52	0.84

Notes:

(a) During the financial period, AAX Group changed its financial year end from 31 December to 30 June. Accordingly, the FYE 30 June 2021 covers a period of 18 months, from 1 January 2020 to 30 June 2021. Consequently, the comparative amounts for the historical financial information for the FYE 30 June 2021 and related notes thereto are not comparable.

(b) During the financial period, AAX Group changed its financial year end from 30 June to 31 December. Accordingly, the FYE 31 December 2022 covers a period of 18 months, from 1 July 2021 to 31 December 2022. Consequently, the comparative amounts for the historical financial information for the FYE 31 December 2022 and related notes thereto are not comparable.

(c) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total capital.

There are no accounting policies adopted which are peculiar to AAX. For the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, there were no audit qualification for the financial statements of AAX.

Commentaries of past financial performance:

(a) 18-month FYE 30 June 2021

Notwithstanding the longer 18-month reporting period for the FYE 30 June 2021, AAX Group recorded lower revenue of approximately RM1.1 billion for the said period as opposed to approximately RM4.2 billion for the 12-month FYE 31 December 2019, a decrease of approximately RM3.1 billion or 74%. This was mainly attributable to the outbreak of COVID-19 pandemic at the beginning of 2020 and the subsequent implementation of the travel and border restrictions, which resulted in suspension of AAX Group's scheduled flight operations.

During the 18-month FYE 30 June 2021, AAX and AAX Group had triggered events of default for the various contracts entered, and AAX Group had made a provision for termination of such contracts/claims of approximately RM25.2 billion during the said period. AAX Group had also made allowances for impairment losses on its assets amounting to approximately RM5.8 billion as there was a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery.

As a result of the above and higher interest expenses on lease liabilities, AAX Group recorded higher LATAMI of approximately RM33.7 billion for the 18-month FYE 30 June 2021 as compared to LATAMI of approximately RM0.7 billion for the FYE 31 December 2019, representing an increase in losses of approximately RM33.0 billion or 4,714%.

(b) 18-month FYE 31 December 2022

For the 18-month FYE 31 December 2022, AAX Group recorded revenue of approximately RM825.9 million, a decrease of approximately RM306.8 million or 25% from approximately RM1.1 billion for the 18-month FYE 30 June 2021. This was mainly contributed by the outbreak of COVID-19 pandemic and the implementation of the international travel and border restrictions, which were only gradually relaxed in the second half of 2022. For information purposes, AAX Group only began operating its scheduled flight services to Seoul and Delhi in April 2022. By the quarter ended December 2022, AAX Group had added back more flights, introducing Melbourne, Perth, Sydney-Auckland, Tokyo Sapporo, Taipei, Jeddah and Bali-Denpasar into its network, ending the year with a 14-route strong network with only seven (7) aircraft activated and operational amidst fuel price fluctuations.

Despite the lower revenue recorded, AAX Group recorded PATAMI of approximately RM33.3 billion for the 18-month FYE 31 December 2022 as compared to LATAMI of approximately RM33.7 billion for the 18-month FYE 30 June 2021. This was mainly due to the following:

(i) waiver of debts amounting to approximately RM34.3 billion pursuant to the debt restructuring scheme which took effect on 16 March 2022;

(ii) recognition of deferred tax assets of approximately RM0.6 billion as it is probable that future taxable profit will be available and the unused tax credits and unused tax losses can be utilised ("**Recognition of Deferred Tax Assets**"); and

(iii) absence of the provision and allowance for impairment that contributed to AAX Group's losses in the previous financial period.

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

(c) 12-month FYE 31 December 2023

For the FYE 31 December 2023, AAX Group recorded a revenue of approximately RM2,527.1 million which represents an increase of approximately RM1,701.2 million or 206% as compared to the corresponding period in the preceding financial year of approximately RM825.9 million mainly attributable to the recovery of international travel and AAX Group's available seat capacity over the 12-month period ending 31 December 2023. For the most part of 2022, AAX Group's revenue was primarily generated from charter and freight services, whilst in 2023, AAX Group's fleet size had grown to 18 aircraft by December 2023, subsequently allowing AAX Group to meet the demand for international travel. This is in line with more fleets of aircraft this quarter to 16 operational aircraft.

Despite the higher revenue recorded, AAX Group recorded a PATAMI of approximately RM331.5 million for the 12-month FPE 31 December 2023 as compared to a PATAMI of approximately RM33.3 billion for the 18-month FPE 31 December 2022. This was mainly due to the reversal of write-back of liabilities amounting to RM34.3 billion attributable to the debt restructuring undertaken by AAX in the 18-month FPE 31 December 2022

(d) 6-month FPE 30 June 2024

For the 6-month FPE 30 June 2024, AAX Group recorded a revenue of approximately RM1,578.1 million which represents an increase of approximately RM516.3 million or 49% as compared to the corresponding period in the preceding financial year of approximately RM1,061.8 million mainly attributable to a 63% growth in the number of passengers carried to 1,839,888 from 1,126,460 passengers in the corresponding period of the preceding financial year, supported by an 53% growth in seat capacity to 2,217,946 seats from 1,448,491 seats in the corresponding period of the preceding financial year.

Despite the higher revenue recorded, AAX Group recorded a PATAMI of approximately RM84.9 million for the 6-month FPE 30 June 2024 which represents a decrease of approximately RM248.6 million or 75% as compared to a PATAMI of approximately RM333.5 million for the corresponding period in the preceding financial year. This was mainly due to the absence of reversal of one-off provisions for the 3-month FPE 31 March 2024 compared to the presence of such reversal amounting to RM216.0 million in other operating income for the 3-month FPE 31 March 2023, as well as higher operating expenses overall due to the increase in AAX Group's flight operations over the last 12-month period.

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7. TYPE OF ASSETS OWNED BY AAX

As at 31 December 2023, AAX Group own the following assets:

Type of Assets	Audited as at 31 December 2023 RM'million
Inventories	
- Consumables and in-flight merchandise	6.97
Property, plant and equipment	
- Aircraft engines, airframes and service potential	1.10
- Aircraft spares and rotables	34.10
- Office equipment, furniture and fittings	0.09
Right-of-use assets	
- Lease of 18 aircraft and 5 engines	1,306.45
Total	1,348.71

8. MATERIAL COMMITMENTS

Save for capital commitments in respect of aircraft purchase as disclosed below, there are no material commitments incurred or known to be incurred by AAX Group that have not been provided for in the financial statements and which, upon becoming enforceable, may have a material impact on AAX Group's profits or NA:

Capital commitment	Audited as at 31 December 2023 RM 'million
Property, plant and equipment approved and contracted for:	
• within 1 year	355.70
• later than 1 year and not later than 5 years	3,089.40
• later than 5 years	533.50
Total	3,978.60

Note:

The approved and contracted capital commitments for AAX Group is in respect of aircraft purchase.

9. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, there is no contingent liability incurred or known to be incurred by AAX Group which, upon becoming enforceable, may have a material impact on the financial results/position of AAX Group:

During the financial period ended 31 December 2022, IAAX received a Tax Underpayment Assessment Letter from the Indonesia Tax Office ("**ITO**"), demanding a payment of IDR686.8 billion for tax underpayment in the fiscal year 2017. The tax audit for the year assessment 2018 and 2019 were completed during the FYE 31 December 2022 and the ITO raised an additional assessment of IDR796.6 billion.

IAAX has disputed the tax assessments by the ITO and has submitted objection letters and appeal letters to the ITO. ITO has rejected the appeal by IAAX and the case has been brought to court. In the event the dispute is ruled in favour of the ITO, it is unlikely that IAAX will be able to pay the additional tax. According to Indonesian tax regulations, tax collection actions target "tax bearers" of corporate taxpayers, including shareholders. Consequently, AAX, as IAAX's shareholder, could be liable for IAAX's RM215.9 million tax payable, based on its 49% equity interest in IAAX. The basis for the additional tax payable is based on 49% of the total potential tax liability of IAAX of IDR1,483.4 billion (approximately RM440.6 million based on an exchange rate of IDR 1 : RM 0.000297) for the years of assessment 31 December 2017 to 31 December 2019.

The directors of AAX, based on legal opinion provided by external lawyer, believe that it is not probable that AAX will incur expenses related to IAAX's tax liability due to the lack of legal mechanism in Indonesia to effect the reciprocal arrangement with partner countries for cross-border tax collection assistance. Additionally, cross-border tax collection is not permissible if the tax is in dispute. IAAX has contested the tax claim and the case is currently pending hearing in Indonesia. Accordingly, this matter is disclosed as a contingent liability as it gives rise to a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of AAX.

10. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, AAX is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAX is not aware and does not have any knowledge of any proceedings pending or threatened against AAX, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of AAX.

11. MATERIAL CONTRACTS

Save for the agreements in relation to the AAX Proposed Acquisitions and AAX Proposed Post-Completion Options as well as those disclosed below, AAX Group have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular:

(i) share subscription agreement dated 22 May 2023 entered into between AAX and AHAM Asset Management Berhad for the subscription of 12,909,033 AAX Shares for a cash consideration of RM20,009,001.15, which was completed on 15 June 2023;

(ii) share subscription agreement dated 22 May 2023 entered into between AAX and AIIMAN Asset Management Sdn Bhd for the subscription of 3,220,000 AAX Shares for a cash consideration of RM4,991,000.00, which was completed on 15 June 2023; and

(iii) share subscription agreement dated 22 May 2023 entered into between AAX and Lavin Group Sdn Bhd for the subscription of 16,129,033 AAX Shares for a cash consideration of RM25,000,001.15, which was completed on 15 June 2023.

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INFORMATION ON AAAGL

1. HISTORY AND BUSINESS

AAAGL was incorporated in Labuan on 11 September 2003 under the Labuan Companies Act 1990 as a private limited company. AAAGL was formerly known as AA International Ltd until 17 November 2011, AirAsia Investment Ltd until 6 October 2021 and AirAsia Aviation Limited until 6 February 2022, after which it assumed its current name on 7 February 2022.

The principal activity of AAAGL is investment in shares outside Malaysia. Through its subsidiaries, TAA, PAA, IAA and CAA, the AAAGL Group provides air transport services from Thailand (commenced business in 2nd quarter of 2004), the Philippines (commenced business in 1st quarter of 2012), Indonesia (commenced business in 2nd quarter of 2005) and Cambodia (commenced business in May 2024).

The AAAGL Group is principally involved in the provision of short-haul domestic and international passenger air transport services for the respective airlines' markets in Thailand, the Philippines, Indonesia and Cambodia. In addition, the AAAGL Group also provides ancillary services to complement its passenger air transport services, which include pre-booked in-flight meals, pre-booked duty-free products and merchandise, onboard sale of meals, duty-free products and merchandise, baggage allowance, Fly-Thru services, travel insurance, seat selection and flight change and cancellation. For information, Fly-Thru services allow passengers to connect between 2 different flights offered by the other AirAsia airlines without having to go through immigration clearance and baggage collection during transit to the second flight, as immigration clearance will be done at, and the baggage will be checked through to, the final destination.

The AAAGL Group also provides air cargo services as a complementary service using the belly cargo capacity of its scheduled passenger flights. The AAAGL Group sells its air cargo capacity to its air cargo agent namely Teleport Everywhere Pte Ltd, a subsidiary of Capital A, which will arrange the movement of air cargo for its customers using the AAAGL Group's air cargo capacity.

Pursuant to the MBLA, AAAGL was granted the exclusive right to use the trade name and livery of the "AirAsia" brand for its aviation related business, including the right to sub-license such rights to its affiliates (including AAB, TAA, PAA, IAA and CAA). The MBLA shall remain in force for 10 years from 1 January 2023 and upon expiry of the initial term, the agreement shall be automatically extended for a period of 10 years, provided that the agreement has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the agreement. Pursuant to the SBLAs between AAAGL and the sub-licensees, the sub-licensees have to comply with the branding guidelines and operating requirements in relation to the operations of the AOCs as "AirAsia" branded airlines as well as any new or amended policies and standards prescribed by AAAGL. Accordingly, in accordance with the applicable accounting standards, AAV (the holding company of TAA) (listed on the Stock Exchange of Thailand), AAI (the holding company of PAA), AAID (the holding company of IAA) (listed on the Indonesia Stock Exchange) and CAA are therefore deemed as subsidiaries of AAAGL for accounting purposes with effect from the FYE 31 December 2023.

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

Based on the consolidated financial information of AAAGL for the FYE 31 December 2023, AAAGL Group derives approximately 47%, 28% and 25% of their revenue from Thailand, Indonesia and Philippines respectively, with the remaining revenue being derived from China and Malaysia.

As at the LPD, AAAGL Group maintains a fleet of 118 aircraft with 96 aircraft in operation. AAAGL Group owns 3 aircraft and leases the remaining fleet of aircraft.

INFORMATION ON AAAGL (CONT'D)

There is no significant amount spent on research and development by AAAGL.

2. SHARE CAPITAL

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

3. SHAREHOLDERS

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

4. DIRECTORS

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

			Direct		Indirect	
Directors	**Nationality**	**Designation**	**No of AAAGL Shares**	**%**	**No of AAAGL Shares**	**%**
Bo Lingam	Malaysian	Resident Director & Chief Executive Officer	-	-	-	-
Tan Sri Jamaludin bin Ibrahim	Malaysian	Independent Non-Executive Chairman	-	-	-	-
Suvabha Charoenying	Thai	Independent Non-Executive Director	-	-	-	-
Lim Serh Ghee	Singaporean	Independent Non-Executive Director	-	-	-	-
Francisco Edralin Lim	Filipino	Independent Non-Executive Director	-	-	-	-
Khoo Gaik Bee	Malaysian	Independent Non-Executive Director	-	-	-	-

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5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

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

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
AirAsia Aviation Management Services Sdn Bhd	6 August 2004 / Malaysia	RM 300,000	100	Investment holding
AirAsia Europe Limited	17 September 2020/ United Kingdom	GBP 100	100	Commercial air services
AirAsia (Guangzhou) Aviation Service Limited Company	13 November 2017 / China	USD 1,000,000	100	Aviation and commercial services
AA Com	19 June 2020/ Philippines	PHP 10,500,000	100	Tour and travel services
CAA	3 April 2023 / Cambodia	USD 8,255,045	51	Passenger air transport
AAI	17 March 2011 / Philippines	PHP 597,510,500	99.98	Commercial air transport services
AAID	21 August 1991 / Indonesia	IDR 2,671,281,110,250	46.25	Investment Holding
AAV	26 December 2011 / Thailand	THB 1,285,000,000	40.71	Investment holding
Held by AAI				
PAA	9 July 1997 / Philippines	PHP 595,000,000	99.66	Commercial air transport services
Asiawide Airways Inc	25 June 2008/ Philippines	PHP 31,250,000	100.0	Dormant
Held by AAID				
IAA	6 December 1999/ Indonesia	IDR 421,066,000,000	57.25	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia	15 November 2016/ Indonesia	IDR 15,000,000,000	67.00	Provision of airport related services

INFORMATION ON AAAGL (CONT'D)

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
Held by AAV				
TAA	19 September 2003/ Thailand	THB 967,969,520	40.71	Low-fare airline service
Held by TAA				
Asia Aviation Center Company Limited	27 January 2021/ Thailand	THB 2,500,000	40.71	Providing academy institution of learning and competency development for aviation tourism and hospitality industries

5.2 Associate company

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

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INFORMATION ON AAAGL (CONT'D)

6. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of AAAGL Group, based on equity accounting of the AOCs, for the past 3 financial years up to the FYE 31 December 2023, and the unaudited consolidated financial information of AAAGL Group for the 6-month FPE 30 June 2024 are set out below:

	Audited			Unaudited
	FYE 31 December			6-month FPE 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	-	22,245	5,630,969	5,446,368
PBT/(LBT)	3,701	(302,591)	874,985	(669,548)
Profit/(Loss) before tax after minority interest	3,701	(302,591)	1,143,870	(429,669)
PATAMI/(LATAMI)	3,701	(302,591)	1,137,184	(424,771)
Share capital	21,652	21,652	21,652	21,652
Shareholders' deficit/(NL)	(10,210)	(350,631)	(1)(2,234,004)	(4,515,397)
Total interest-bearing borrowings	-	171,376	(2)9,789,132	9,638,715
No. of issued shares ('000)	5,270	5,270	5,270	5,270
Earnings per share (RM)(3)	0.70	(57.42)	215.78	(80.60)
(NL)/NA per share (RM)(4)	(1.94)	(66.53)	(423.91)	(856.81)
Current ratio (times)(5)	0.86	0.16	0.09	0.11
Gearing ratio (times)(6)	(7)N/A	(8)N/A	(8)N/A	(8)N/A

Notes:

(1) As of 31 December 2023, AAAGL Group reported a shareholders' deficit mainly due to accumulated losses of RM2,137.5 million and merger deficit of RM915.5 million arising from the consolidation of AAV, AAID, AAI, TAA, IAA and PAA, which is offset by profit after tax attributable to owners of AAAGL Group of RM1,137.2 million in the FYE 31 December 2023.

(2) As of 31 December 2023, AAAGL Group reported total interest-bearing borrowings amounting to RM9,789.1 million, arising from RM549.8 million in long term debentures, RM920.1 million in borrowings and RM8,319.2 million in lease liabilities, which includes RM3,391.7 million pursuant to lease arrangements with AAB Group.

(3) Calculated based on profit/(loss) attributable to the owners of AAAGL over the number of shares in issue.

(4) Calculated based on NA/(NL) over the number of shares in issue.

(5) Calculated based on current assets over current liabilities.

(6) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total equity.

(7) Not applicable for FYE 2021 as AAAGL has no borrowings.

(8) Not computed as AAAGL has recorded a deficit in its total equity.

There are no accounting policies adopted which are peculiar to AAAGL Group. For the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, there were no audit qualification for the financial statements of AAAGL Group.

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Commentaries of past financial performance:

(i) FYE 31 December 2021

There was no revenue recorded for FYE 31 December 2021 as AAAGL only held equity interest of the AOC Holdco as associate companies during the period. AAAGL recorded a PATAMI of approximately RM3.7 million for FYE 31 December 2021 mainly due to the interest income of approximately RM6.3 million from the investment in the convertible bond issued by AAI.

(ii) FYE 31 December 2022

The AAAGL Group recorded revenue of RM22.3 million for the FYE 31 December 2022, which was contributed mainly from the provision of aviation and commercial services of RM22.1 million by AirAsia (Guangzhou) Aviation Service Limited Company which was acquired during the FYE 31 December 2022.

The AAAGL Group recorded LATAMI of RM302.6 million for the FYE 31 December 2022, a decrease of RM306.3 million as compared to a PATAMI of RM3.7 million for the FYE 31 December 2021, mainly attributed to the share of losses of associates of approximately RM297.8 million mainly arising from the share of losses in AAV.

(iii) FYE 31 December 2023

The AAAGL Group recorded an improved revenue of approximately RM5,631.0 million for the FYE 31 December 2023 as compared to RM22.3 million for the FYE 31 December 2022, mainly attributable to the accounting consolidation of TAA, IAA and PAA which were deemed as subsidiaries of AAAGL with effect from the FYE 31 December 2023 pursuant to the SBLAs entered into between AAAGL and the sub-licensees, namely TAA, IAA and PAA together with their respective AOC Holdco, namely AAV, AAID and AAI, where the sub-licensees have to comply with the branding guidelines and operating requirements in relation to the operations of the AOCs as "AirAsia" branded airlines as well as any new or amended policies and standards prescribed by AAAGL. Accordingly, in accordance with the applicable accounting standards, AAV, AAI and AAID are therefore deemed as subsidiaries of AAAGL for accounting purposes with effect from the FYE 31 December 2023. TAA, IAA and PAA recorded sale of scheduled flights and chartered flights amounting to RM4,569.6 million and ancillary revenue amounting to RM1,030.9 million for the FYE 31 December 2023.

The AAAGL Group recorded a PATAMI of approximately of RM1,137.2 million for the FYE 31 December 2023, an increase of RM1,439.8 million as compared to a LATAMI of RM302.6 million for the FYE 31 December 2022. The increase in profit was mainly attributable to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses amounting to RM2,375.3 million, maintenance and overhaul expenses of RM1,365.7 million and user charges amounting to RM932.6 million for the FYE 31 December 2023. In addition, there was a gain on remeasurement of previously held interest in associate amounting to RM1,547.9 million, derived primarily from the impacts resulting from the change of status of AAV, AAID, AAI, TAA, IAA and PAA from associates to subsidiaries of AAAGL for accounting consolidation purposes during the FYE 31 December 2023.

(iv) 6-month FPE 30 June 2024

For the 6-month FPE 30 June 2024, AAAGL Group recorded a revenue of approximately RM5,446.4 million which represents an increase of approximately RM3,319.8 million or 156% as compared to the corresponding period in the preceding financial year of approximately RM2,126.6 million mainly attributable to a 14% growth in the number of passengers carried to 17,334,007 from 15,251,465 passengers in the corresponding period of the preceding financial year, supported by a 11% growth in seat capacity to 18,985,002 seats from 17,087,486 seats in the corresponding period of the preceding financial year.

Despite higher revenue recorded, AAAGL Group recorded a LATAMI of approximately RM424.8 million for the 6-month FPE 30 June 2024 which represents a decrease of approximately RM1,628.9 million or 135% as compared to a PATAMI of approximately RM1,204.1 million for the corresponding period in the preceding financial year. This was mainly due to the absence of the aforementioned one-off gain on remeasurement of previously held interest in associate derived primarily from the impacts resulting from the change of status of AAV, AAID, AAI, TAA, IAA and PAA from associates to subsidiaries pursuant to the MBLA.

7. ASSETS OWNED BY AAAGL

As at 31 December 2023, AAAGL Group own the following assets:

Type of Assets	**Audited as at 31 December 2023 RM'million**
Inventories	
- Consumables (engine oil, washer, nuts and bolts), in-flight merchandise and others	137.47
Property, plant and equipments	
- 3 Aircraft and engines, airframes and service potential	332.61
- Freehold land (land for office building)	139.83
- Buildings (office buildings)	138.19
- Aircraft spares	97.74
- Aircraft fixtures and fittings	70.84
- Office renovations	15.40
- Office equipment, furniture and fittings	12.31
- Others	11.94
Right-of-use assets	
- Lease of 110 aircraft and engines	5,398.01
Investment properties	
- Investment properties (land and building)	67.31
Investment securities	
- Unlisted equity securities	5.77
Total	**6,427.42**

8. MATERIAL COMMITMENTS

As at the LPD, there is no material commitment incurred or known to be incurred by AAAGL, which may have a material impact on the financial results/position of AAAGL.

9. CONTINGENT LIABILITIES

As at the LPD, there is no contingent liability incurred or known to be incurred by AAAGL which upon becoming enforceable may have a material and adverse impact on the financial results/position of AAAGL.

10. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, AAAGL and its subsidiaries are not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAAGL is not aware of any proceedings, pending or threatened, against AAAGL and its subsidiaries or any facts which are likely to give rise to any proceedings which may materially and adversely affect the business or financial position of AAAGL and its subsidiaries:-

(i) Litigation involving AirAsia (India) Limited ("**AAIL**") and Commissioner of Central Tax, Bangalore North

During the course of the operations of AAIL, AAIL had received certain demands and assessment orders from the tax authorities in India dated 19 October 2016, 19 July 2019, 30 June 2021, 25 September 2021, 21 April 2022 and 29 April 2022. The tax demands remain pending as at the LPD. The maximum liability of our Group which may arise from the tax demands is approximately RM252.7 million based on 49% of the aggregate liability of AAIL of INR 10,022.2 million (approximately RM515.8 million based on an exchange rate of INR 1 : RM 0.051464).

Based on the assessment by the tax and legal experts engaged, AAIL has a defensible position against the tax demand.

11. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by AAAGL within the past 2 years immediately preceding the date of this Circular:

(i) On 2 November 2022, AAAGL entered into a share purchase agreement ("**AA India SPA**") with AAB, Air India Limited and AirAsia (India) Private Limited ("**AAIPL**") in respect of the sale of AAAGL's remaining 16.33% equity shares in AAIPL to Air India Limited, an affiliate of Tata Sons Private Limited, India. The consideration for the sale was INR1,556,487,800 (approximately equivalent to RM89,031,102). The transaction was completed on 2 November 2022.

**Note:* *Based on BNM's exchange rate of INR100 : RM5.72, being the middle rate published on BNM's website as at 2 November 2022.*

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INFORMATION ON AAB

1. HISTORY AND BUSINESS

AAB was incorporated in Malaysia on 20 December 1993 under the Companies Act, 1965 as a private limited company under the name of AirAsia Sdn Bhd and is deemed registered under the Act. AAB was converted into a public limited company on 8 June 2004. AAB was listed on the Main Market of Bursa Securities on 22 November 2004. Subsequently, pursuant to an internal reorganisation undertaken by AAB by way of a members' scheme of arrangement under Section 366 of the Act, AAB was delisted and its listing status on the Main Market of Bursa Securities was assumed by Capital A on 16 April 2018.

The principal activity of AAB is providing air transport services from Malaysia (commenced business in 1996). The AAB Group is principally involved in the provision of short-haul domestic and international passenger air transport services for the Malaysian market. Similar to the AAAGL Group, the AAB Group also provides ancillary and air cargo services to complement its passenger air transport services.

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

Based on the consolidated financial information of AAB for the FYE 31 December 2023, AAB Group derives all of their revenue from Malaysia.

As at the LPD, AAB maintains a fleet of 103 aircraft with 80 aircraft in operation. AAB leases their entire fleet of aircraft and does not own any aircraft.

There is no significant amount spent on research and development by AAB.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAB is RM2,515,673,745 comprising 3,341,974,080 ordinary shares.

3. SHAREHOLDERS

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

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4. DIRECTORS

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

			Direct		Indirect	
Directors	Nationality	Designation	No of AAB Shares	%	No of AAB Shares	%
Datuk Kamarudin bin Meranun	Malaysian	Director	-	-	3,341,974,080[(1)]	100
Riad Asmat	Malaysian	Director	-	-	-	-
Jasmindar Kaur A/P Sarban Singh	Malaysian	Director	-	-	-	-
Dato' Captain Fareh Ishraf Mazputra Ahmad Fairuz	Malaysian	Director	-	-	-	-

Note:

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

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

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

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest	Principal activities
			%	
AACL	26 September 2014/ Malaysia	USD5,000,000	100	Providing aircraft leasing facilities
AirAsia Corporate Services Limited	21 October 2008/ Malaysia	USD10,000,000	100	Facilitate insurance services for Capital A Group
AirAsia (Mauritius) Limited	20 August 2004/ Mauritius	USD1	100	Providing aircraft leasing facilities
AirAsia RB 1 Ltd	15 March 2024/ Malaysia	USD1,000	100	Investment holding
<u>*Held by AACL*</u>				
Asia Aviation Capital Pte Ltd	18 July 2016 / Singapore	SGD4,110,001	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	28 November 2017 / Malaysia	USD1,000	100	Providing supporting services to air transport

INFORMATION ON AAB (CONT'D)

5.2 Associate company

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

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
AirAsia Philippines Inc.	22 March 2005 / Philippines	PHP1,000,000	39.90	Dormant
GTRH	21 September 2017/ Malaysia	RM63,177,130	50.00	Investment holding
Held by GTRH				
Ground Team Red Sdn Bhd	26 December 2007 / Malaysia	RM86,213,964	51.00	Ground handling services
GTRSG Pte Ltd	5 September 2017 / Singapore	SGD3,768,950	40.00	Ground handling services

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6. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of AAB Group for the past 3 financial years up to the FYE 31 December 2023 and the unaudited consolidated financial information of AAB Group for the 6-month FPE 30 June 2024 are set out below:

	Audited			Unaudited
	FYE 31 December			6-month FPE 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	691,358	3,784,775	6,420,374	4,133,437
(LBT)/PBT	(2,472,776)	(1,778,995)	3,626,938	(208,164)
(Loss)/Profit before tax after minority interest	(2,472,776)	(1,778,995)	3,626,938	(208,164)
(LATAMI)/PATAMI	(2,473,766)	(1,782,331)	3,620,868	(208,794)
Share capital	2,515,673	2,515,673	2,515,673	2,515,673
Shareholders' deficit/(NL)(1)	(3,460,239)	(5,208,655)	(1,504,694)	(1,825,633)
Total interest-bearing borrowings(2)	13,049,438	14,749,122	16,283,292	16,444,286
No. of issued shares ('000)	3,341,974	3,341,974	3,341,974	3,341,974
Earnings per share (RM)(3)	(0.74)	(0.53)	1.08	(0.06)
(NL)/NA per share (RM)(4)	(1.04)	(1.56)	(0.45)	(0.55)
Current ratio (times)(5)	0.43	0.41	1.07	1.00
Gearing ratio (times)(6)	N/A	N/A	N/A	N/A

Notes:

(1) *As of 31 December 2022, AAB Group reported a shareholders' deficit amounting to RM5,208.7 million mainly due to accumulated losses carried forward from prior periods. As of 31 December 2023, AAB Group reported a shareholders' deficit amounting to RM1,504.7 million mainly due to PATAMI for the FYE 31 December 2023 of RM3,620.9 million.*

(2) *As of 31 December 2022, AAB Group reported total interest-bearing borrowings amounting to RM14,749.1 million, arising from RM1,541.7 million in borrowings and RM13,207.4 million in lease liabilities. As of 31 December 2023, AAB Group reported total interest-bearing borrowings amounting to RM16,283.3 million, arising from RM2,179.8 million in borrowings and RM14,103.5 million in lease liabilities.*

(3) *Calculated based on profit/(loss) attributable to the owners of AAB over the number of shares in issue.*

(4) *Calculated based on NA/(NL) over the number of shares in issue.*

(5) *Calculated based on current assets over current liabilities.*

(6) *Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total equity (i.e. sum of NA/(NL) attributable to the owners of AAB and net debt). The gearing ratios are not presented as AAB Group has negative total equity.*

There are no accounting policies adopted which are peculiar to AAB Group. For the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, there were no audit qualification for the financial statements of AAB Group.

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INFORMATION ON AAB (CONT'D)

Commentaries of past financial performance:

(i) FYE 31 December 2021

AAB Group recorded a significant decrease in revenue of RM1,198.5 million or 63% to RM691.4 million from RM1,889.9 million during the FYE 31 December 2020, mainly attributable to the closure of geographical borders due to the outbreak of the COVID-19 pandemic which resulted in severely restricted air travel, specifically international air travel, causing a sharp decline in revenue. AAB Group's domestic and international flight operations were disrupted for the whole year in FYE 31 December 2021, as opposed to just the second to fourth quarters in FYE 31 December 2020, resulting from the reimposition of multiple lockdowns by the Malaysian Government during the FYE 31 December 2021.

AAB Group recorded a LATAMI of approximately RM2,473.8 million for FYE 31 December 2021 as compared to a LATAMI of approximately RM3,957.2 million for the previous financial year, representing a decrease in losses of approximately RM1,483.4 million or 37%. This was mainly due to the decrease in fuel costs to approximately RM228.5 million for the FYE 31 December 2021 as a result of a decrease in the number of flights as a result of multiple lockdowns by the Malaysian Government during the FYE 31 December 2021, partially offset by the lower revenue as explained above.

(ii) FYE 31 December 2022

AAB Group recorded revenue of approximately RM3,784.8 million for the FYE 31 December 2022, an increase of approximately RM3,093.4 million or 447% from approximately RM691.4 million for FYE 31 December 2021, mainly attributed to the relaxation of travel restrictions, including testing, quarantine and entry requirements amidst the COVID-19 pandemic. Consequently, AAB Group carried 16.78 million passengers during the FYE 31 December 2022 as compared to 3.13 million in the previous financial year. Hence, passenger service revenue increased by RM2,361.6 million or 475% to RM2,859.1 million for FYE 31 December 2022 as compared to RM497.5 million for FYE 31 December 2021. Additionally, ancillary revenue increased by RM685.7 million or 380% to RM866.2 million for the FYE 31 December 2022 as compared to RM180.5 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees as a result of a higher number of passengers resulting from the resumption of international flights.

AAB Group recorded a LATAMI of approximately RM1,782.3 million for FYE 31 December 2022 as compared to a LATAMI of approximately RM2,473.8 million for the previous financial year, representing a decrease in losses of approximately RM691.5 million or 28%. This was mainly due to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses which increased by RM1,694.9 million or 742% from RM228.4 million for the FYE 31 December 2021 to RM1,923.3 million for the FYE 31 December 2022, resulting from higher fuel consumption and rising fuel prices in the global market.

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(iii) FYE 31 December 2023

AAB Group recorded revenue of approximately RM6,420.4 million for the FYE 31 December 2023, an increase of RM2,635.6 million or 70% from RM3,784.8 million for the FYE 31 December 2022, marking the highest revenue recorded by the AAB Group since the inset of the COVID-19 pandemic. The increased revenue during the FYE 31 December 2023 was mainly attributable to the further reactivation of an additional twenty-eight (28) operating aircraft during this financial year, resulting in seventy-one (71) operating aircraft in the AAB Group's fleet as at 31 December 2023, thereby further increasing seat capacity for the AAB Group's scheduled flight operations.

Hence, seat sales revenue increased by RM1,450.2 million or 51% to RM4,309.3 million for the FYE 31 December 2023 as compared to RM2,859.1 million for the FYE 31 December 2022. The AAB Group recorded an increase in its average base fare to RM224 for FYE 31 December 2023 as compared to RM192 for the previous financial year. Additionally, ancillary revenue increased by RM1,160.8 million or 134% to RM2,027.0 million for the FYE 31 December 2023 as compared to RM866.2 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees due to the higher number of passengers, resulting from more aircraft back into service.

The AAB Group recorded a PATAMI of approximately RM3,620.9 million for the FYE 31 December 2023 as compared to a LATAMI of RM1,782.3 million for the previous financial year, representing an increase of approximately RM5,403.2 million. The improvement was mainly due to the one-off gain from disposal of AirAsia Brand of RM 4,500.0 million, the higher revenue as explained above, partially offset by higher operating expenses, particularly from aircraft fuel expenses which rose by RM879.5 million or 46% from RM1,923.3 million for the FYE 31 December 2022 to RM2,802.8 million for the FYE 31 December 2023 resulting from higher fuel consumption and rising fuel prices in the global market.

(iv) 6-month FPE 30 June 2024

For the 6-month FPE 30 June 2024, AAB Group recorded a revenue of approximately RM4,133.4 million which represents an increase of approximately RM1,079.9 million or 35% as compared to the corresponding period in the preceding financial year of approximately RM3,053.4 million mainly attributable to a 13% growth in the number of passengers carried to 13,703,194 from 12,148,667 passengers in the corresponding period of the preceding financial year, supported by a 10% growth in seat capacity to 15,377,840 seats from 13,923,032 seats in the corresponding period of the preceding financial year.

Despite higher revenue recorded, AAB Group recorded a LATAMI of approximately RM208.8 million for the 6-month FPE 30 June 2024 which represents a decrease of approximately RM4,225.1 million or 105% as compared to a PATAMI of approximately RM4,016.3 million for the corresponding period in the preceding financial year. This was mainly due to the absence of the one-off gain from disposal of AirAsia Brand of RM 4,500.0 million.

7. ASSETS OWNED BY AAB

As at 31 December 2023, AAB Group own the following assets:

Type of Assets	Audited as at 31 December 2023 RM'million
Property, plant and equipments	
- Buildings (AirAsia's headquarter and hangars at KLIA)	133.2
- Office equipment, furniture and fittings	85.8
- 2 aircraft engines, airframes and service potential	15.5
- Aircraft spares	16.0
- Operating plant and ground equipment	7.4
- Motor vehicles	2.1
- Office renovation	1.9
- Others	1.0
Rights-of-use assets	
- 103 aircraft, 16 spare engines and land and building	6,768.5
Inventories	
- Consumables (engine oil, washer, nuts and bolts), in-flight merchandise and others	18.8
Total	**7,050.2**

8. MATERIAL COMMITMENTS

Save as disclosed below, there is no material commitment incurred or known to be incurred by AAB, which may have a material impact on the financial results/position of AAB:

	Audited as at 31 December 2023 RM' 000
Capital commitment	
Contracted but not provided for	
• Later than 1 year and not later than 5 years	12,122,544
• Later than 5 years	94,966,872
Total	**107,089,416**

Note:

The approved and contracted for capital commitments for AAB are in respect of aircraft purchase.

9. CONTINGENT LIABILITIES

As at the LPD, there is no contingent liability incurred or known to be incurred by AAB which upon becoming enforceable may have a material and adverse impact on the financial results/position of AAB.

10. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, AAB and its subsidiaries are not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAB is not aware of any proceedings, pending or threatened, against AAB and its subsidiaries or any facts which are likely to give rise to any proceedings which may materially and adversely affect the business or financial position of AAB and its subsidiaries:-

(i) Arbitration matter involving Mr. Christopher Davison and Mr. Navin Rajagopalan (as claimants) v AirAsia Digital Sdn. Bhd. ("**AA Digital**"), AAB and BigPay Pte. Ltd. ("**BigPay SG**") (as respondents) at Singapore International Arbitration Centre in respect of disputes arising from the shareholder disputes in relation to BigPay SG

On 17 March 2017, the claimants, AAB and BigPay SG have entered into the following agreements in relation to the regulation of affairs of BigPay SG:

(1) Shareholders' agreement which sets out the terms governing the relationship between the shareholders of BigPay SG ("**BigPay SHA**").

(2) Investment agreement which sets out the terms and conditions relating to AAB's investment in BigPay SG ("**BigPay IA**").

On 18 November 2021, the claimants issued a notice of arbitration against AA Digital, AAB and BigPay SG under the Arbitration Rules of the Singapore International Arbitration Centre 2016, in respect of the decision taken by AA Digital to terminate the BigPay SHA and BigPay IA.

The claimants, as minority shareholders of BigPay SG, claimed for breaches and wrongful termination of the BigPay IA and BigPay SHA by the respondents and minority oppression under section 216(1) of the Companies Act 1967 of Singapore ("**Singapore Companies Act**"). The claimants made claims in the region of USD140,000,000 to USD183,000,000 (approximately equivalent to RM660,800,000 to RM863,760,000), and the main relief sought by the claimants was a buy-out by AA Digital of the shares held by the claimants in BigPay SG.

As at the LPD, the arbitration proceedings remain pending. The evidentiary hearing concluded on 13 October 2023 and an award is expected to be issued in 2024.

The solicitors acting for AA Digital and AAB are of the view that AA Digital and AAB have reasonable prospects of successfully defending the claim. Additionally, in light of the expert evidence that has been led and the arbitral tribunal's reception of the evidence, the solicitors are of the view that if AAB or AA Digital is ordered to buy out the BigPay SG shares held by the claimants, the solicitors estimate that the buyout price will likely be up to USD1,300,000 (approximately equivalent to RM5,616,000).

**Note: Based on BNM's exchange rate of USD1 : RM4.32, being the middle rate published on BNM's website as at the LPD.*

11. MATERIAL CONTRACTS

As at the LPD, save for the AA India SPA (details of which are provided in Section 11(i) of Appendix II of this Circular), there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by AAB within the past 2 years immediately preceding the date of this Circular.

12. INFORMATION ON THE REVENUE BOND

The rationale for the issuance of the Revenue Bond is to raise proceeds which shall be on-lend by AARB1 to AAB, for AAB to refinance its lease liabilities, aircraft and engine maintenance costs, and to support the working capital requirements of AAB. As at the LPD, the gross proceeds of the Revenue Bond of USD443.0 million are intended to be utilised by AAB in the following manner:

Details of utilisation	USD'million	%	Estimated time frame for full utilisation
Refinancing of lease liabilities[(a)]	263.0	59.4	Fully utilised
Aircraft and engine maintenance costs[(b)]	82.0	18.5	Fully utilised
General working capital[(c)]	43.5	9.8	December 2024
Debt service reserve[(d)]	32.0	7.2	September 2024
Transaction costs in relation to the issuance of the Revenue Bond[(e)]	20.0	4.5	Fully utilised
Stamp duty[(f)]	2.5	0.6	December 2024
Total	**443.0**	**100.0**	

Notes:

(a) AAB has utilised gross proceeds of USD263.0 million to fulfil aircraft lease obligations to the lessors who have restructured the lease contracts.

(b) AAB has utilised gross proceeds of USD82.0 million to make payments for aircraft and engine maintenance to ensure that the aircraft remain fit for flying as AAB ramps up its operations in line with the revival and increase of air travel demand after the COVID-19 pandemic.

(c) AAB intends to utilise gross proceeds of USD43.5 million to part finance the working capital requirements of AAB Group for the day-to-day operations which include staff-related costs, training costs for pilot and cabin crew, jet fuel, IT operating expenses and other general working capital requirements, back-office support services fees, and office maintenance related expenses within 3 months from the issuance date of the Revenue Bond.

(d) AAB Group intends to utilise gross proceeds of USD32.0 million for debt service reserve in relation to first quarterly principal repayment of the Revenue Bond.

(e) Transaction costs in relation to the issuance of the Revenue Bond include professional fees.

(f) AAB intends to utilise gross proceeds of USD2.5 million to pay the stamp duty in relation to the issuance of the Revenue Bond.

It is a term of the Revenue Bond that our Company will be released as a corporate guarantor upon fulfilment of the conditions for release under the trust deed dated 21 August 2024, constituting the Revenue Bond ("**Revenue Bond Trust Deed**"), which includes the replacement of AAX as a corporate guarantor for the Revenue Bond upon completion of the Proposed Disposals. Our Company will ensure that the conditions for release of our Company as a corporate guarantor under the Revenue Bond will be fulfilled before or on the AAB Completion Date. Pursuant thereto, there are no liabilities, including contingent liabilities and guarantees, in relation to AAB Group arising from the Revenue Bond which will remain with our Company after the completion of the Proposed Disposals.

INFORMATION ON AAB (CONT'D)

The Revenue Bond and/or AAB's corporate guarantee (as the case may be), are also secured by, amongst others:-

(i) a first ranking charge by AAB over all present and future revenue proceeds generated by AAB from passenger seat sales and ancillary revenue from the selected specified routes after deduction of any refunds, merchant discount fees and bank charges which are held by AAB;

(ii) a floating charge by AAB over certain sub-accounts of AAB's general operating account, which shall receive all present and future passenger seat sale proceeds and ancillary revenue generated by AAB through distribution channels other than AirAsia MOVE;

(iii) a first ranking share charge by AAB over 100% of the shares of AARB1 held; and

(iv) upon completion of the Proposed Disposals, a first ranking share charge by AAX in respect of 49% of the shares of AAB held.

For clarity, note (i) and (ii) above represent charges over the abovementioned revenue proceeds and operating accounts which shall be used to pay any outstanding obligations under the Revenue Bond. The above charges related to the cashflows and debt obligations of AAB under the Revenue Bond will remain exclusively within AAB Group and will be disposed together as part of the Proposed AAB Disposal. As such, the aforesaid charges as mentioned in note (i) and (ii) have no material impact to our Group after the completion of the Proposed AAB Disposal.

Based on the Revenue Bond's interest rate for tranche 1 and tranche 2 of 7% per annum and 14% per annum, respectively, AARB1 is expected to incur an interest payment of approximately RM195 million per annum (based on BNM's exchange rate of USD1 : RM4.32, being the middle rate published on BNM's website as at the LPD).

AAB's debt payment capability to the Revenue Bond holders is dependent on the cash flows generated from the passenger seat sales revenue of the air routes secured under the Revenue Bond, and the profitability of AAB's airline business in general. The profitability of AAB's airline business in general are, in turn, dependent on, amongst others, the demand for air travel and competition from other airlines. There is no assurance that the cash flow generated by AAB would be timely or sufficient to ensure the interest and principal payment of Revenue Bond are paid when due. Nevertheless, AAB will continuously monitor and review the cash flow of its operations to ensure the ability of AARB1 to meet its Revenue Bond payment obligations is not compromised.

For the avoidance of doubt, the issuance of the Revenue Bond:

(a) does not constitute a material development that will affect the AAB Valuation Range prepared by DCAS on the basis that the impact of the issuance of the Revenue Bond to the equity value of AAB amounts to a variance of less than 1% to the AAB Valuation Range. Please refer to Section 3.2 of Part A of this Circular for further details;

(b) will not have any financial effects on the NA, gearing and EPS of our Group on the basis that the cash flows, interest expense, assets and liabilities in relation to the Revenue Bond remains exclusively within AAB Group and will be disposed together as part of the Proposed AAB Disposal; and

(c) does not have any impact to the AAB SSPA (as supplemented by the AAB Supplemental SSPA and AAB Second Supplemental SSPA).

The salient terms of the Revenue Bond are set out below:

1. Issuance of Revenue Bond and Intercompany Loan

On and subject to the terms of the transaction documents for the Revenue Bond ("**RB Transaction Documents**"), AAB's wholly-owned subsidiary, AARB1, has agreed to issue Regulation S secured bonds as follows:

(i) Tranche 1 representing USD242,907,000 7.00 per cent Revenue Bond due September 2026 ("**Tranche 1 Notes**"); and

(ii) Tranche 2 representing USD200,000,00 14.00 per cent Secured Notes due August 2028 ("**Tranche 2 Notes**").

Pursuant to the terms of RB Transaction Documents, AARB1 subsequently on-lends the proceeds of the Revenue Bond to AAB for AAB to refinance its lease liabilities, aircraft and engine maintenance costs, and to support the working capital requirements of our Group.

2. Guarantee and Security

The Revenue Bond are guaranteed by AAB and our Company as corporate guarantor ("**RB Corporate Guarantees**"). It is a term of the Revenue Bond that our Company will be released as a corporate guarantor upon fulfilment of the conditions for release under the Revenue Trust Deed which includes the replacement of AAX as a corporate guarantor for the Revenue Bond upon completion of the Proposed Disposals. The reference to "**RB Corporate Guarantors**" shall refer to (a) AAB; (b) prior to the Proposed Disposals, our Company; and (c) AAX, upon completion of the Proposed Disposals.

The Revenue Bond and/or the RB Corporate Guarantees (as the case may be), are also secured by the following, amongst others:-

(i) as security for the RB Corporate Guarantees:

a. a first ranking assignment by AAB over all present and future revenue proceeds generated by AAB from passenger seat sales and ancillary revenue from the selected specified routes ("**Secured Routes**") after deduction of any refunds, merchant discount fees and bank charges which are held by AAB ("**Revenue Proceeds**"); and

b. a floating charge by AAB over certain sub-accounts of AAB's general operating account ("**Sub-General Accounts**"), which shall receive Revenue Proceeds generated by AAB through distribution channels other than AirAsia MOVE;

(ii) as security for the Revenue Bond:

a. a first ranking share charge by AAB over 100% of the shares of AARB1 held;

b. a first ranking charge and assignment over all present and future interest, rights, benefits, titles and assets of AARB1 including:

(1) the intercompany loan between AARB1 and AAB;

(2) the designated operating account ("**Designated AOC Operating Account**") which shall be established in the name of AARB1 to capture the certain Revenue Proceeds generated by AAB through AirAsia Move ("**SuperApp Revenue Proceeds**");

(3) the revenue reserve account ("**Reserve Account**") which shall be established in the name of AARB1 certain funds (including amounts derived from Revenue Proceeds) will be required to be retained in that account from time to time; and

(4) upon completion of the Proposed Disposals, a first ranking share charge by AAX in respect of 49% of the shares of AAB held.

3. Ranking

The Revenue Bond are direct, unconditional and secured obligations of AARB1 and rank and will rank *pari passu*, without any preference among themselves, and rank and will rank in priority to all other outstanding unsecured and unsubordinated obligations of AARB1, present and future, but, in the event of insolvency, only to the extent permitted by the relevant applicable laws relating to creditors' rights.

4. **Redemption**

4.1 **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided in the RB Transaction Documents, AARB1 must redeem the Revenue Bond at their relevant maturity dates.

4.2 **Redemption by instalments**

Tranche 1 Notes
Unless previously redeemed or purchased and cancelled in full, AARB1 will, having given not less than five (5) business days' notice to the noteholders of the Tranche 1 Notes ("**Tranche 1 Noteholders**"), on each payment date in respect of the Tranche 1 Notes falling between the period between 30 September 2024 up to (and including the) maturity date, redeem all or some only of the Tranche 1 Notes then outstanding at their principal amount together with interest accrued (calculated based on simple interest methodology, and on a non-compounding basis) to but excluding the date of redemption and in an amount as specified in the RB Transaction Documents until the principal amount of the Tranche 1 Notes is reduced to zero.

Tranche 2 Notes
Unless previously redeemed or purchased and cancelled in full, AARB1 will, having given not less than five (5) business days' notice the noteholders of the Tranche 1 Notes ("**Tranche 2 Noteholders**"), on each payment date in respect of the Tranche 2 Notes falling between the period from (and including) the first payment date in respect of the Tranche 2 Notes to occur after (but not on) the date on which the Tranche 1 Notes have been redeemed in full, to (and including) the payment date on which the Tranche 2 Notes are redeemed in full, pay such specified amount under in the RB Transaction Documents, toward redeeming the Tranche 2 Notes until the principal amount of the Tranche 2 Notes is reduced to zero.

4.3 **Redemption upon Change of Control Early Redemption Event**

Unless previously redeemed or purchased and cancelled in full, upon the occurrence of a Change of Control Early Redemption Event, AARB1 will redeem all (but not some only) of the Revenue Bond, at a redemption price equal to 100 per cent. of the principal amount thereof plus accrued interest on the date of the redemption pursuant to the Change of Control Early Redemption Event and plus such other specified amount as may be specified under the RB Transaction Documents.

"Change of Control Early Redemption Event" means that Tan Sri Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun ceasing to collectively beneficially own, directly or indirectly, at least 15 per cent. in aggregate of the total shares in the share capital of AAB, and the parent of AAB from time to time.

4.4 **Redemption for Taxation Reasons**

If AARB1 or the RB Corporate Guarantors satisfies the trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations, or any change in the application or official interpretation of the laws or regulations, on the next payment date, AARB1 would be required to pay additional amounts as provided or referred to under the RB Transaction Documents for an affected tranche of Revenue Bond ("**Affected Tranche(s)**"); and

(b) the requirement cannot be avoided by AARB1 taking reasonable measures available to it,

AARB1 or the RB Corporate Guarantors may at its option, having given not less than 30 nor more than 60 days' notice to the noteholders such affected tranche of Revenue Bond, redeem all the Revenue Bond comprised in the Affected Tranche(s), but not some only, on the next payment date at their principal amount together with interest accrued to but excluding the date of redemption and in the case of any Tranche 2 Notes, such specified amount under the RB Transaction Documents, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which AARB1 would be obliged to pay such additional amounts, were a payment in respect of such Affected Tranche of Revenue Bond then due.

4.5 **Mandatory redemption upon prepayment of Intercompany Loan**

Tranche 1 Notes
Under the terms of the RB Transaction Documents, AAB is permitted to prepay the intercompany loan corresponding to the Tranche 1 Notes at any time, whether in part or in full, upon not less than 15 nor more than 30 days' notice to AARB1 and the trustee (such notice being a Tranche 1 Loan Prepayment Notice). In the event that a Tranche 1 Loan Prepayment Notice is received by AARB1, then AARB1 must, amongst others, within five (5) business days of receipt of the actual proceeds of the relevant prepayment of the Tranche 1 intercompany loan, apply all such proceeds received toward redemption of the Tranche 1 Notes depending upon the amount proceeds actually received) at their principal amount and payment of interest accrued thereon to the date of redemption.

Tranche 2 Notes:
Under the terms of the RB Transaction Documents, AAB is permitted to prepay the intercompany loan corresponding to the Tranche 2 Notes at any time, whether in part or in full, upon not less than 15 nor more than 30 days' notice to AARB1 and the trustee (such notice being a Tranche 2 Loan Prepayment Notice). In the event that a Tranche 2 Loan Prepayment Notice is received by AARB1, then AARB1 must, amongst others, within five (5) business days of receipt of the actual proceeds of the relevant prepayment of the Tranche 2 intercompany loan, apply all such proceeds received toward redemption of the Tranche 2 Notes only, depending upon the amount proceeds actually received in respect of the Tranche 2 Loan) at such redemption amounts as may be specified in the RB Transaction Documents.

5. Salient Covenants in respect of the Revenue Proceeds

Amongst others, AARB1 and the RB Corporate Guarantors (collectively, the "**Obligors**") have jointly and severally, covenant with the trustee that, for so long as any Revenue Bond remain outstanding, it shall procure compliance by AAB of the following covenants in respect of the Revenue Bond:

(i) AAB undertakes that an amount equal to the aggregate of all SuperApp Revenue Proceeds shall be paid directly into a Designated AOC Operating Account no later than seven (7) days following booking by, or on behalf of, AAB in accordance with terms of the RB Transaction Documents;

(ii) On or prior to the Issue Date, AAB has entered into tripartite agreements with identified counterparties and vendors of AAB in respect of the control and transmission of the SuperApp Revenue proceeds into the Designated AOC Operating Account upon booking by, or on behalf of, AAB.

(iii) AAB undertakes that the aggregate amount of SuperApp Revenue Proceeds paid into the Designated AOC Operating Accounts during each quarter will be at least equal to such specified amount in the RB Transaction Documents (such amount being the "**Minimum SuperApp Proceeds**"), provided that AAB shall not be in breach of this undertaking and the relevant Minimum SuperApp Proceeds Shortfall will not trigger an Event of Default in the event the aggregate amount of SuperApp Revenue Proceeds paid into the Designated AOC Operating Accounts during the immediately prior quarter is less than the Minimum SuperApp Proceeds (the amount of any such shortfall being a "**Minimum SuperApp Proceeds Shortfall**").

(iv) In the case of a Minimum SuperApp Proceeds Shortfall, AAB shall, procure that the aggregate of the credit balances of the Sub-General Accounts during the following quarter is at least equal to the Minimum SuperApp Proceeds Shortfall in respect of that following quarter (such amount being the "**Minimum Sub-General Account Balance**"), provided that, for so long as the aggregate of the cash balance standing to the credit of the Designated AOC Operating Accounts and the Reserve Account (excluding such specified amounts which have been specifically earmarked under the RB Transaction Documents)) is at least equal to such specified minimum amount under the RB Transaction Documents, AAB will have no obligation under this undertaking to procure that the aggregate of the credit balances of the Sub-General Accounts is at least equal to the Minimum Sub-General Account Balance.

(v) If on any relevant test date there has been a Minimum SuperApp Proceeds Shortfall in respect of two consecutive quarters, AAB shall, amongst others, deliver an additional route designation notice identifying and designating additional flight routes ("**Additional Designated Routes**") to be included as Secured Routes, that will, based on performance in the immediately preceding quarter, result in the aggregate amount of SuperApp Revenue Proceeds (taking into account the revenue of such Additional Designated Routes) paid into the Designated AOC Operating Accounts during each subsequent calendar quarter being at least such specified minimum amount in the RB Transaction Documents, the Additional Designated Routes so identified shall be selected by AAB (in its sole discretion) from a list of pre-identified additional designated routes. For the avoidance of doubt, upon the fulfilment of conditions as may be specified under the RB Transaction Documents including where the SuperApp Proceeds during each of the four immediately preceding calendar quarters exceeds such specified sum under RB Transaction Documents, AAB may deliver an excluded route designated notice to the trustee to exclude any previously identified and designated Additional Designated Routes from the list of Secured Routes.

(vi) AAB undertakes that an amount equal to the aggregate of all Revenue Proceeds other than Super App Revenue Proceeds ("**Non-SuperApp Revenue Proceeds**") will be paid into the Sub-General Accounts by no later than the latter of the day falling (A) one business day following booking of the relevant sale and (B) one business day following receipt of such amount by AAB. To facilitate such payment of Non-SuperApp Revenue Proceeds, AAB shall ensure that:

(a) after the issuance of the Revenue Bond, all contracts executed with and/or invoices in respect of Non-SuperApp Revenue Proceeds issued to customers, including travel agents, government agencies and corporates (collectively, "**Third Party Intermediaries"**), require that such amounts are paid directly into the Sub-General Accounts; and

(b) to the extent that there are existing contracts or payment arrangements in respect of Non-SuperApp Revenue Proceeds in place with the Third Party Intermediaries before the Additional Route Designation Notice, all such contracts and payment arrangements shall be amended to require that such amounts are paid directly into the Sub-General Accounts; and

(c) all Non-SuperApp Revenue Proceeds (whether generated by cash, credit card, debit card payment or other payment methods) are deposited directly into the Sub-General Accounts by no later than the latter of the day falling (A) one business day following booking of the relevant sale and (B) one business day following receipt of such amount by AAB.

(vii) To the extent that there is a shortfall in respect of available funds to the cash manager on any payment date prior to any enforcement by the trustee, AAB shall, on or before the third business day immediately preceding each such payment date, transfer an amount from the Sub-General Accounts to the Designated AOC Operating Accounts equal to the lesser of:

(a) such shortfall; and

(b) the aggregate amount of Non-SuperApp Revenue Proceeds that has been paid into the Sub-General Accounts during the quarter ending immediately before that payment date,

as may be specified under the RB Transaction Documents.

6. Salient Events of Default

The terms of the Revenue Bond include events of default which are customary and appropriate for transactions of this nature and subject to an agreed remedy period. These include, but not limited to the following:

(i) if default is made by AARB1 in the payment of any principal or interest due in respect of the Notes, unless (A) such default is caused by administrative or technical error or a disruption event; and (B) payment is made within 3 business days of the date on which such amount was due

(ii) other than in respect of any amounts referred to in paragraph (i) above, if default is made by any party to a RB Transaction Document in the payment of any amount due by it under such RB Transaction Document and that default continues for a period exceeding 30 days;

(iii) if AAB fails to take such action as may be required to maintain the loan to value ratio in respect of the Secured Routes within the relevant cure dates;

(iv) if the Obligors fails to comply with any of its other obligations under the RB Transaction Documents and the failure continues for the period of 30 days after the service by the trustee of notice requiring the same to be remedied;

(v) if (i) any financial indebtedness of the Obligors (excluding any financial indebtedness due and payable in respect of any leasing agreement which is due and payable prior to the issue date of the Revenue Bond) has been declared due and repayable prematurely by reason of an event of default (howsoever described) or (ii) an Obligor fails to make any payment in respect of any financial indebtedness (excluding any financial indebtedness due and payable in respect of any leasing agreement which is due and payable prior to the issue date of the Revenue Bond) on the due date for payment as extended by any originally applicable grace period, provided that it will not be an Event of Default if the amount of the financial indebtedness falling within this paragraph (v)(i) or (v)(ii) is (collectively) less than such specified threshold;

(vi) any final judgment or order from which no further appeal or judicial review is permissible for the payment of money shall be rendered against AARB1 or any Obligor in an amount in excess of such specified threshold individually or in the aggregate for all such final judgments or orders against all such persons (treating any deductibles, self-insurance or retention as not so covered) and shall not be discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order in excess of such specified threshold individually or in the aggregate during which a stay of enforcement of such final judgment or order, irrespective of reason, shall not be in effect;

(vii) an insolvency event occurs in respect of an Obligor or any subsidiary of an Obligor;

(viii) if any security document in respect of the Revenue Bond ceases to be, or is claimed by AARB1, any Obligor or any party to such security document not to be, in full force and effect or any security document does not create a security interest it purports to create;

(ix) if any approval granted by Bank Negara Malaysia to any Obligor in respect of the transactions contemplated by the Transaction Documents is revoked or any conditions of any such approval is breached, and such revocation or breach is continuing for thirty (30) days after written notice thereof has been delivered to any Obligor; and

(x) any Obligor fails to comply with any the specified conditions subsequent under the RB Transaction documents to the issue of the Notes.

SALIENT TERMS OF THE AAAGL SSPA

The salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA are set out below:

1. Sale and purchase

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

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

2. AAAGL Disposal Consideration

The consideration for the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall be RM3,000,000,000 which is to be satisfied fully by the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 per Consideration Share.

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

3. AAAGL SSPA Conditions Precedent

3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAAGL SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAAGL Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAAGL Conditions Precedent**"):

(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed Distribution and the Proposed AAAGL Disposal;

(ii) the approval of the non-interested holders of the RCUIDS issued by our Company being obtained for the Proposed Distribution and the Proposed AAAGL Disposal;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAAGL Group ("**AAAGL Target Entity**") for the Proposed Pre-Completion Restructuring, the Proposed Distribution and the Proposed AAAGL Disposal as set out below:-

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(a) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not applicable to the Proposed AAAGL Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not infringed if the Proposed AAAGL Disposal is carried into effect;

Note:-

(1) Section 54(1) of the MAVCOM Act and/or Section 36T(1) of the CAAM Act (as the case may be) provides that mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.

(b) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(c) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;

(d) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group;

(e) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX; and

(f) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAAGL Target Entities) in favour of lenders/financiers of the AAAGL Target Entities shall be obtained before the AAAGL Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;

(iv) the completion of the Proposed Pre-Completion Restructuring;

(v) the sanction of the High Court of Malaya being obtained for the capital reduction pursuant to the Proposed Distribution;

(vi) the AAAGL Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000(1) during the 3-month period immediately preceding the AAAGL Completion Date;

Note:-

(1) Together with the conditions precedent in the AAAGL SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.

(vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX;

(viii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAAGL Disposal;

(ix) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAAGL Disposal as set out below:-

(a) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAAGL Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAAGL Disposal is carried into effect;

(b) Takeover Panel of Securities and Exchange Commission, Thailand in respect of the proposed exemption under the applicable takeover rules in Thailand to be sought by AAX from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by AAX on completion of the Proposed AAAGL Disposal;

(c) Bursa Securities for (1) the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities and (2) the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise (as defined below) on the Main Market of Bursa Securities; and

(d) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;

(x) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's private placement exercise ("**Proposed Pre-Completion Private Placement Exercise**").

"**AAAGL Cut-Off Date**" means –

(i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above); and

(ii) for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above, 60 days after the date of the AAAGL SSPA with an automatic extension for a further period of 60 days,

or such other date as mutually agreed between our Company and AAX in writing.

3.2 If the AAAGL Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAAGL Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAAGL Cut-Off Date or failing agreement to extend, the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.

3.3 Between the date of the AAAGL SSPA and the AAAGL Completion Date, except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAAGL Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to AAAGL Completion with our Company's interest in the AAAGL Equity Interest intact.

"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAAGL Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("**Options**"), PROVIDED THAT, the terms of such Options are as follows:-

(i) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAAGL Completion Date (being the date of grant of the Options);

(ii) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and

(iii) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.

4. Completion of the Proposed AAAGL Disposal

4.1 Completion of the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall take place 1 month following the date on or by which all AAAGL Conditions Precedent have been satisfied, fulfilled and/or waived, other than those AAAGL Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.

4.2 At AAAGL Completion, our Company shall deliver or make available to AAX the following:

(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;

(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAAGL Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;

(iii) the written resignations of each of the directors of the AAAGL Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAAGL Completion Date) from his office as a director to take effect on the date of AAAGL Completion, with acknowledgements signed by each of them;

(iv) certified true copies of the resolutions passed by AAAGL's board of directors;

(v) the statutory books and records of AAAGL and each of the other AAAGL Target Entities, complete and up-to-date and all other records and documents of AAAGL and each of the other AAAGL Target Entities, including but not limited to the original share certificates for shares in the AAAGL Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAAGL Target Entities;

(vi) all assets, machinery, office and other equipment and all other chattels of AAAGL and each of the other AAAGL Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities;

(vii) all financial and accounting records of AAAGL and each of the other AAAGL Target Entities in the possession of the AAAGL Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAAGL Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities;

(viii) all documents of title, certificates and other documents evidencing title to the assets of AAAGL and each of the other AAAGL Target Entities capable of being delivered, including the original share certificates for each of the AAAGL Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities; and

(ix) all other papers and documents relating to the AAAGL Target Entities which are in the possession of or under control of our Company.

4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall:

(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(viii) to (ix) above; and

(ii) allot and issue the Consideration Shares and take all necessary steps to issue (and procure its share registrar to issue) the relevant share certificates under a single jumbo certificate for the Consideration Shares to Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") and procure Bursa Depository to credit the Consideration Shares into the Central Depository System accounts of: (i) the entitled shareholders of our Company for the implementation of the Proposed Distribution; and (ii) insofar as that there are any balance Consideration Shares that will not be allotted to any of the entitled shareholders of our Company pursuant to the Proposed Distribution, our Company.

4.4 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect the AAAGL Completion so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for the AAAGL Completion not being later than 1 month after the intended AAAGL Completion Date, but on the basis that such deferral may only occur once; or

(iii) to terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA and save in respect of rights arising out of any antecedent breach of the AAAGL SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAAGL Equity Interest intact.

4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAAGL SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAAGL SSPA) or to claim damages for the breach of the other party.

5. Right to claim for breach of warranties

Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAAGL Completion. In the event the AAAGL Completion does not occur and the AAAGL SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAAGL SSPA.

Nevertheless, the non-defaulting party has the right to terminate the AAAGL SSPA at any time prior to AAAGL Completion in any of the following events:

(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or

(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or

(iii) a Material Adverse Change[1] has occurred; or

(iv) any other breach on the part of the defaulting party of the terms of the AAAGL SSPA occurring.

Note:-

*(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAAGL Target Entities or AAX and its subsidiaries ("**Purchaser Group**") (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-*

(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);

(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAAGL Target Entities or the Purchaser Group (as the case may be);

(iii) any occurrence, condition, change, event or effect resulting from or relating to:-

(a) the announcement or pendency of the proposed sale and/or purchase of the AAAGL Equity Interest (whichever applicable);

(b) compliance by any of our Company or AAX with the terms of the AAAGL SSPA; and

(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and

(d) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAAGL Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.

6. Indemnities

Our Company shall not be liable in respect of a specific indemnity claim in the AAAGL SSPA (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Target Entities' business prior to completion of the Proposed AAAGL Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAAGL Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such thresholds, our Company shall be liable for the whole amount and not merely the excess over the thresholds. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAAGL Completion.

Our Company will indemnify AAX and hold AAX and AAAGL Target Entities harmless against:

(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAAGL Target Entities after AAAGL Completion) in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAAGL Target Entities before AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAAGL Target Entities in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date;

(iv) any amount recovered against the AAAGL Target Entities in respect of the taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date; and

(v) any costs reasonably incurred by the AAAGL Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date.

7. Limitation of liability

7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAAGL SSPA.

7.2 **Time limitation:** Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-

(i) in the case of any Claim relating to tax matters, within the applicable limitation period stipulated under the relevant laws relating to taxation;

(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA), within 6 years following AAAGL Completion; or

(iii) in the case of any other Claim, within 24 months following AAAGL Completion.

7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix IV, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAAGL Disposal Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.

7.4 **Aggregate minimum claims:** Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix IV) unless and until the aggregate amount of all such Claims exceeds 1% of the AAAGL Disposal Consideration (i.e. RM30,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.

Note:-
(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.5 **Maximum liability:** The aggregate liability of each of our Company and AAX in respect of all Claims under the AAAGL SSPA shall not exceed:-

(i) 100% of the AAAGL Disposal Consideration (i.e. RM3,000,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and

(ii) 25% of the AAAGL Disposal Consideration (i.e. RM750,000,000)[(1)] in the case of any other Claim.

Note:-

(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.6 None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.

8. Non-competition and protective covenants

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

(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity in any trade, business or occupation, or in any manner take part in or lend its name, counsel or assistance to any person in any capacity whatsoever, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Target Entities; and

(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,

PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAAGL Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAAGL SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAAGL Target Entities) are the AAB Group.

"**Prohibited Business**" means the current aviation business operations of AAX and the AAAGL Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAAGL Target Entities.

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

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SALIENT TERMS OF THE AAB SSPA

The salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA are set out below:

1. Sale and purchase

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

The AAB Equity Interest shall be sold by our Company free from encumbrances (save as disclosed in our Company's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at AAB Completion (including the right to receive all dividends and distributions declared, made or paid on or after AAB Completion).

Note:-

(1) Our Company's disclosure letter dated 25 April 2024 provides that one of the terms of the Revenue Bond requires AAX to charge 49% of the ordinary shares of AAB held by AAX upon AAB Completion to secure the proceeds received from the Revenue Bond.

2. AAB Disposal Consideration

The consideration for the sale and purchase of the AAB Equity Interest under the AAB SSPA shall be RM3,800,000,000 which is to be satisfied by AAX's assumption of our Company's debt due to AAB of RM3,800,000,000 on the AAB Completion Date.

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

(i) AAB fully releasing our Company from the liability for the payment of the amount owing from our Company to AAB; and

(ii) AAX fully assuming the liability for the payment of the amount owing from our Company to AAB,

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

3. AAB SSPA Conditions Precedent

3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAB SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAB Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAB Conditions Precedent**"):-

(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;

(ii) the approval of the non-interested holders of the RCUIDS being obtained for the Proposed AAB Disposal;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAB Group ("**AAB Target Entity**") for the Proposed Pre-Completion Restructuring and the Proposed AAB Disposal as set out below:-

(a) MAVCOM with regards to the proposed change in shareholding of AAB;

(b) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;

(c) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(d) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;

(e) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group;

(f) notification to third parties and financiers/ lenders in respect of certain operational agreements entered into by the Capital A Group and banking facilities granted to the Capital A Group;

(g) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX; and

(h) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAB Target Entities) in favour of lenders/financiers of the AAB Target Entities shall be obtained before the AAB Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;

(iv) the completion of the Proposed Pre-Completion Restructuring;

(v) the AAB Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding AAB Completion Date;

Note:-

(1) Together with the conditions precedent in the AAB SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.

(vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX;

(vii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;

(viii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAB Disposal as set out below:-

(a) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;

(b) Bursa Securities for the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise on the Main Market of Bursa Securities; and

(c) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;

(ix) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's Proposed Pre-Completion Private Placement Exercise.

"**AAB Cut-Off Date**" means –

(i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for the AAB Condition Precedent referred to in paragraph 3.1(vi) above); and

(ii) for the AAB Condition Precedent referred to in paragraph 3.1(vi) above, 60 days after the date of the AAB SSPA with an automatic extension for a further period of 60 days,

or such other date as mutually agreed between our Company and AAX in writing.

3.2 If the AAB Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAB Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAB Cut-Off Date or failing agreement to extend, the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAB SSPA.

3.3 Between the date of the AAB SSPA and the AAB Completion Date, and except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAB Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to AAB Completion with our Company's interest in the AAB Equity Interest intact.

"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAB Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("**Options**"), PROVIDED THAT, the terms of such Options are as follows:-

(iv) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAB Completion Date (being the date of grant of the Options);

(v) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and

(vi) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.

4. Completion of the Proposed AAB Disposal

4.1 Completion of the sale and purchase of the AAB Equity Interest under the AAB SSPA shall take place 1 month following the date on or by which all AAB Conditions Precedent have been satisfied, fulfilled and/or waived other than those AAB Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.

4.2 At AAB Completion, our Company shall deliver or make available to AAX the following:

(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;

(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAB Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;

(iii) the written resignations of each of the directors of the AAB Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAB Completion Date) from his office as a director to take effect on the date of AAB Completion, with acknowledgements signed by each of them;

(iv) certified true copies of the promissory note executed by our Company in favour of AAB and the written release of such promissory note executed by AAB in favour of our Company;

(v) certified true copies of the resolutions passed by AAB's board of directors;

(vi) the statutory books and records of AAB and each of the other AAB Target Entities, complete and up-to-date and all other records and documents of AAB and each of the other AAB Target Entities, including but not limited to the original share certificates for shares in the AAB Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAB Target Entities;

(vii) all assets, machinery, office and other equipment and all other chattels of AAB and each of the other AAB Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;

(viii) all financial and accounting records of AAB and each of the other AAB Target Entities in the possession of the AAB Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAB Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;

(ix) all documents of title, certificates and other documents evidencing title to the assets of AAB and each of the other AAB Target Entities capable of being delivered, including the original share certificates for each of the AAB Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities; and

(x) all other papers and documents relating to the AAB Target Entities which are in the possession of or under control of our Company.

4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall:

(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(vii) to (viii) above; and

(ii) deliver to our Company a certified true copy of the promissory note executed by AAX in favour of AAB.

4.4 If any provision of the completion clause under the AAB SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect the AAB Completion so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for the AAB Completion not being later than 1 month after the intended AAB Completion Date, but on the basis that such deferral may only occur once; or

(iii) to terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA and save in respect of rights arising out of any antecedent breach of the AAB SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAB Equity Interest intact.

4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAB SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAB SSPA) or to claim damages for the breach of the other party.

5. Right to claim for breach of warranties

Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAB Completion. In the event the AAB Completion does not occur and the AAB SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAB SSPA.

Nevertheless, the non-defaulting party has the right to terminate the AAB SSPA at any time prior to AAB Completion in any of the following events:

(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or

(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or

(iii) a Material Adverse Change[(1)] has occurred; or

(iv) any other breach on the part of the defaulting party of the terms of the AAB SSPA occurring.

<u>*Note:*</u>

*(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAB Target Entities or the Purchaser Group (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-*

(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);

(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAB Target Entities or the Purchaser Group (as the case may be);

(iii) any occurrence, condition, change, event or effect resulting from or relating to:-

(a) the announcement or pendency of the proposed sale and/or purchase of the AAB Equity Interest (whichever applicable);

(b) compliance by any party with the terms of the AAB SSPA; and

(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and

(iv) *any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAB Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.*

6. Indemnities

Our Company shall not be liable in respect of a specific indemnity claim in the AAB SSPA (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Target Entities' business prior to completion of the Proposed AAB Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAB Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to (1) arbitration and litigation proceedings on shareholder disputes in relation to Big Pay Pte Ltd and (2) ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such threshold, our Company shall be liable for the whole amount and not merely the excess over the threshold. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAB Completion.

Our Company will indemnify AAX and hold AAX and AAB Target Entities harmless against:

(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAB Target Entities after AAB Completion) in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAB Target Entities before AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAB Target Entities in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date;

(iv) any amount recovered against the AAB Target Entities in respect of the taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date; and

(v) any costs reasonably incurred by the AAB Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date.

7. Limitation of liability

7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAB SSPA.

7.2 **Time limitation:** Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-

(i) in the case of any Claim relating to tax matters, within the applicable limitation period stipulated under the relevant laws relating to taxation;

(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA), within 6 years following AAB Completion; or

(iii) in the case of any other Claim, within 24 months following AAB Completion.

7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix V, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAB Disposal Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.

7.4 **Aggregate minimum claims:** Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix V) unless and until the aggregate amount of all such Claims exceeds 1% of the AAB Disposal Consideration (i.e. RM38,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.

Note:-
(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.5 **Maximum liability:** The aggregate liability of each of our Company and AAX in respect of all Claims under the AAB SSPA shall not exceed:-

(i) 100% of the AAB Disposal Consideration (i.e. RM3,800,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA); and

(ii) 25% of the AAB Disposal Consideration (i.e. RM950,000,000)[(1)] in the case of any other Claim.

Note:-
(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.6 None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.

8. Non-competition and protective covenants

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

(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Target Entities; and

(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above, PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAB Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAB SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAB Target Entities) are the AAAGL Group.

"**Prohibited Business**" means the current aviation business operations of AAX and the AAB Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAB Target Entities.

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

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

19 September 2024

The Board of Directors
Capital A Berhad
Red Q, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA)
64000 KLIA
Selangor Darul Ehsan

Dear Sirs,

Report on the compilation of pro forma consolidated statement of financial position included in the Circular to Shareholders of Capital A Berhad in relation to the Proposed Disposal of AirAsia Aviation Group Limited ("AAAGL"), Proposed Disposal of AirAsia Berhad ("AAB") and Proposed Distribution (collectively known as the "Proposed Transactions")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Capital A Berhad ("CAB" or the "Company") and its subsidiaries (collectively known as the "Group") prepared by the directors of the Company (the "Directors"). The pro forma consolidated statement of financial position consists of the pro forma consolidated statement of financial position as at 31 December 2023 and related notes as set out in Attachment A.

The applicable criteria on the basis of which the Directors have compiled the pro forma consolidated statement of financial position is in accordance with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Applicable Criteria") which we have stamped for identification purposes.

The pro forma consolidated statement of financial position has been compiled by the Directors to illustrate the impact of the events or transactions as set out in Note 1 of Attachment A on the Group's financial position as at 31 December 2023, as if those transactions or events had taken place on 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the financial year ended 31 December 2023, on which audit reports have been published.

The Directors' responsibility for the pro forma consolidated statement of financial position

The Directors are responsible for compiling the pro forma consolidated statement of financial position on the basis of the Applicable Criteria.