

AIRASIA GROUP BERHAD

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

MINUTES of the Extraordinary General Meeting of AirAsia Group Berhad held at CAE Kuala Lumpur (Formerly Known as Asian Aviation Centre of Excellence, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Monday, 14 May 2018 at 10.00 a.m.

PRESENT:

DIRECTORS

Y. Bhg. Datuk Kamarudin Bin Meranun (*In the Chair*)
Y. Bhg. Tan Sri Dr. Anthony Francis Fernandes
Y. Bhg. Dato' Fam Lee Ee
Y. Bhg. Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Y. Bhg. Dato' Khadar Bin Merican
Cik Noor Neelofa Binti Mohd Noor
Mr. Stuart L Dean

SHAREHOLDERS

- As per attendance list

PROXIES

- As per attendance list

CORPORATE REPRESENTATIVES

- As per attendance list

INVITED GUESTS

- As per attendance list

IN ATTENDANCE:

Ms. Jasmindar Kaur A/P Sarban Singh
Company Secretary

1.0 CHAIRMAN OF THE MEETING

1.1 The Chairman of the Board of Directors (the "Board"), Y. Bhg. Datuk Kamarudin Bin Meranun ("Datuk Kamarudin" or the "Chairman") welcomed the shareholders to the Company's Extraordinary General Meeting ("the Meeting"). With the requisite quorum being present, the Chairman called the meeting to order at 10.00 a.m.

2.0 NOTICE OF MEETING

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

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- 2.2 Before proceeding with the meeting agenda, the Chairman highlighted that pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of the Meeting dated 27 April 2018 would be put to vote by way of poll and that the voting for such resolution would take place after the conclusion of the deliberations on all the businesses, which were to be transacted. The Chairman informed that the Poll Administrator would brief the Meeting on the polling procedures before and during the commencement of the voting process.

3.0 ORDINARY RESOLUTION

PROPOSED DISPOSAL BY AIRASIA GROUP BERHAD OF ITS AIRCRAFT LEASING OPERATIONS THAT INCLUDES THE PROPOSED FUTURE DISPOSALS (AS DEFINED IN THE CIRCULAR TO SHAREHOLDERS DATED 27 APRIL 2018 (THE “CIRCULAR”)) AND PROPOSED OPTION (AS DEFINED IN THE CIRCULAR) (“PROPOSED DISPOSAL”)

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

1. The key transaction terms;
2. The summary of the location of the Aircraft by the Company (the lessee);
3. The investment in FLY Leasing Limited (“FLY”) and Incline A LLC and Incline B Parallel (“Incline Funds”)
4. The calculation of the net proceeds from the Proposed Disposal;
5. The illustrative pro forma financial impact (based on the accounts for the financial year ended 31 December 2017);
6. The summary of lease arrangements to the AirAsia Group (“AA Group”) with BBAM Limited Partnership (“BBAM”) and the entities managed by BBAM;
7. The transaction rationale and benefits of the Proposed Disposal; and
8. The indicative transaction timeline of the Proposed Disposal.

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

- 3.2 En. Rozman thanked several parties on behalf of the Company such as the joint financial advisors, counsels and the members of the AirAsia Berhad team for their contribution, hard work and patience in the transactions of the Proposed Disposal which involved complex planning and extensive negotiations.

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- 3.3 The Chairman opened the floor to a Question and Answer session for the shareholders to raise inquires, if any, in relation to the proposed Ordinary Resolution.
- 3.4 Madam Lya Rahman, the representative from the Minority Shareholder Watchdog Group ("MSWG") inquired if the Board had on Friday, 11 May 2018 received their letter with a series of questions pertaining to the Proposed Disposal. En. Rozman noted that the MSWG's letter was received very late in the evening on Friday, 11 May 2018 and for the benefit of the shareholders, he gave a summary of the Company's responses to the questions raised in the MSWG's letter while displaying the said questions and responses on the screen in the meeting room.
- 3.5 Mr. Khong Seng Kin ("Mr. Khong"), a shareholder, highlighted that the Company would incur extra expenses of approximately USD90 million pursuant to the Proposed Disposal and inquired on the manner through which such variation was derived. En. Rozman responded that this disposal was of the existing aircraft for which the Company was looking at a pay-back period from its cash proceeds of USD1,185.0 million compared to the net increase of about USD90 million, which was good considering the current market for aircraft lease. Tan Sri (Dr.) Tony Fernandes highlighted that Airbus' A320 New Engine Option ("A320neo") aircraft and new Boeing 737 MAX aircraft were newly entering the market and the Company now had a solution to dispose most of its old aircraft all at once at a continuously reducing price instead of in piece meal which would be a lengthy and less cost-efficient process. He added that the price for the Airbus' A320 Current Engine Option (A320ceo) aircraft attracted much demand because of the unreliable Pratt & Whitney PW1000G geared turbofan engines of the A320neo aircraft. This was also a good transaction because the Company would have the ability to use the said aircraft for a longer period which would be beneficial especially during expansion.
- 3.6 Mr. Khong referred to question number 5 from the MSWG's list of questions and sought clarification on the estimated net gain/profits on disposals to AAGB arising from the Proposed Disposal. Mr. How Kim Lian ("Mr. How") drew attention to paragraph 6.3 of the Circular which listed the earnings from this transaction. Mr. How highlighted that the Company was expected to incur expenses of approximately RM640.6 million per annum, which was anticipated to be partially offset by the finance expenses savings of RM249.2 million per annum arising from the repayment of existing borrowings for 82 aircraft from the proceeds of the Proposed Disposal as well as annual savings in depreciation expenses of RM537.8 million. Although the Company would no longer be receiving annual lease rental and maintenance reserve funds of RM537.8 million from third party lessees, there would be additional interest income of RM79.6 million for the financial year ending 31 December 2018 on the assumption that the remaining cash proceeds to be received from the Proposed Disposal of RM2,486.3 million were placed in an interest-bearing deposit account with a licensed financial institution at an interest rate of 3.2% per annum.

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- 3.7 Mr. Khong inquired on the future plans for the AA Group's remaining 120 aircraft pursuant to the Proposed Disposal. Tan Sri (Dr.) Tony Fernandes pointed out that Asia Aviation Capital Limited ("AACL") was still a subsidiary of the Company and explained that there were more potential disposal proceeds to be discussed in due course. There was an opportunity to dispose AACL with some additional aircraft, for which there were many bidders; however, this matter required much more consideration, and the Board would keep the shareholders informed of any related progress, accordingly.
- 3.8 In response to another query from Mr. Khong on the amount of deposits paid by the Company for each aircraft, En. Rozman informed that the Company would not be disclosing the purchase price of its aircraft. He explained that the Company would agree on a base purchase price for each aircraft with the respective vendor(s) and this base price would be subject to escalation in accordance with the delivery date of each aircraft. It was the Company's responsibility to ensure that the due amounts for the purchase of aircraft were paid accordingly, based on the final purchase price which was determined on the date of delivery of the new aircraft. The final purchase price was evaluated by taking into account the mathematical formulae agreed on by the purchaser and seller.
- 3.9 Mr. Khong asked if the Board would declare any dividends payable to the shareholders from the earnings from the Proposed Disposal. En. Rozman answered that the Management would report to the Board on the capital requirements of the Company and thereafter, it was for the Board to evaluate the distribution of any surplus cash proceeds, if any, while ensuring that the capital amount was utilised appropriately. Tan Sri (Dr.) Tony Fernandes affirmed that the Board would discuss and deliberate on this matter accordingly.
- 3.10 Mr. Khong also wondered if the Company had considered and made any plans to venture into new markets such as China, Cambodia and Myanmar. Tan Sri (Dr.) Tony Fernandes responded that AAGB's associate companies were now generating positive cash flow except for AirAsia Japan, due to regulatory issues. He added that there are no definite plans for expansion in Cambodia and Myanmar at the moment but China and Vietnam were realistic potential markets because of the small capital requirement. The Board required more time to explicate a plan for potential expansion as well as to deliberate on the capital requirement for such expansion. The Chairman assured the shareholders, on behalf of the Board, that the shareholders will be rewarded accordingly upon the Board's deliberation on the extraordinary income earned from the Proposed Disposal/Sales and evaluation of the capital requirement for future expansion, if there are any surplus cash proceeds.
- 3.11 Mr. David Poh Chung Wee inquired if AAGB was allowed to lease aircraft from entities other than the BBAM entities pursuant to the Proposed Disposal and if the Company could enter into joint ventures with such other leasing entities. En. Rozman stated that the Company was not allowed to enter into other Joint Ventures during the 'lock-up' period until the year 2021 as stipulated in the relevant agreements with the BBAM entities.

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- 3.12 Mr. Ooi Chin Hock (“Mr. Ooi”), a shareholder, asked about the Earnings Per Share (“EPS”) pursuant to the Proposed Disposal and which party would bear the costs for maintenance and downtime for the aircraft during the lease period. En. Rozman responded that the position of the EPS was anticipated to remain neutral because the assets and liabilities would be almost equal. He added that the lessee, i.e. the AA Group would bear the maintenance and insurance expenses for the aircraft during the lease period, in accordance with the lease agreements.
- 3.13 Mr. Ooi also inquired if the Board had any expectations on gains from future disposals, if any. Tan Sri (Dr.) Tony Fernandes said that the corporate finance department would analyse the Company’s options for future disposals in due course, but it was too early to comment further on the same.
- 3.14 Mr. George John, a shareholder commented that the Proposed Disposal was a complex exercise and despite the many benefits from the transaction, the Company would still incur rental expenses throughout the lease period. He inquired on the following matters: -
1. The tax impact on the transaction since there was no depreciation going forward;
 2. The net yield on this transaction; and
 3. The net tangible assets (“NTA”)/ net asset value pursuant to the Proposed Disposal.

En. Rozman explained that the enterprise value of the aircraft was derived at by evaluating the future lease/rental income for the period until the end of the aircraft life. He offered that the market for the trading of aircraft for the past couple of years was fairly good considering the current market conditions. He also informed that BBAM had agreed to not only lease back aircraft to the Company but also hire aircraft for lease from AAGB for a period as stipulated in the lease agreements and in accordance with the terms and conditions therein. The estimated net gain on disposals would result in an improvement in the EPS by approximately RM0.42 subsequently increasing the NTA per share from RM2.41 to RM2.84. The total shareholders’ equity was envisaged to increase to RM8.1 billion from RM6.7 billion before the Proposed Disposal.

- 3.15 Since there were no further questions, the Chairman requested for a Proposer and Seconder to approve the Proposed Disposal. The Ordinary Resolution on the Proposed Disposal was proposed by Mr. David Poh Chung Wee and seconded by Mr. Wijeyamuni Anthony Peter Soyza (Mr. Soyza).

4.0 POLLING PROCESS

- 4.1 For polling purposes, the Chairman declared the closure of the registration for attendance at the Meeting and called upon Ms. Wong Yoke Fun of Messrs Tricor Investor and Issuing House Services Sdn. Bhd., the representative of the Poll Administrator to brief the shareholders present on the polling procedures.

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- 4.2 For the benefit of the shareholders, Datuk Kamarudin informed that he was appointed to act as the proxy for a number of shareholders and he shall vote in accordance with the voting instructions provided.
- 4.3 The Chairman adjourned the Meeting for approximately 15 minutes for the polling. The Chairman informed that the representatives of the Poll Administrator would guide the shareholders/proxies on the method of using the electronic polling to cast their votes, throughout the polling process.

5.0 ANNOUNCEMENT OF POLL RESULTS

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

Based on the poll results, per Annexure A, as verified by the Scrutineers, the Chairman declared the resolution tabled at the Meeting carried.

Therefore, **IT WAS UNANIMOUSLY RESOLVED: -**

ORDINARY RESOLUTION **PROPOSED DISPOSAL BY AAGB OF ITS AIRCRAFT LEASING OPERATIONS**

THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to the Company, AirAsia Berhad (“**AAB**”) and Asia Aviation Capital Limited (“**AACL**”), a wholly owned indirect subsidiary of the Company, to dispose of its entire equity interest in Red Aircraft Holdings 2 Co., Ltd, a wholly-owned subsidiary of AAAC, and 3 aircraft and 7 aircraft engines to Incline Aladdin Holdings Limited (“**Incline Aladdin**”) for a disposal consideration of USD548.5 million (approximately RM2,150.9 million) (“**Proposed Disposal To Incline B**”) in accordance with the terms and subject to the conditions as set out in the share purchase agreement dated 28 February 2018 entered into among AAB, AAAC, Incline Aladdin and Incline B Aviation Limited Partnership (“**Incline B**”) and such other ancillary agreements, instruments and documents whatsoever that have been or will be entered into by the relevant parties in connection with the Proposed Disposal To Incline B.

THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to the Company, AAB and AAAC to dispose of 21 aircraft to be delivered in the future to Incline Aladdin for a disposal consideration to be agreed among the parties at a later date (“**Proposed Future Disposal To Incline B**”) in accordance with the terms and subject to the conditions as set out in the aircraft sale and purchase agreement dated 28 February 2018 entered into among AAB,

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AACL and Incline Aladdin and such other ancillary agreements, instruments and documents whatsoever that have been or will be entered into by the relevant parties in connection with the Proposed Future Disposal To Incline.

THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to the Company, AAB and AACL to dispose of its entire equity interest in Red Aircraft Holdings 3 Co., Ltd, and Red Aircraft Holdings 4 Co., Ltd, both wholly-owned subsidiaries of AACL, and 1 aircraft and 7 aircraft engines to Fly Aladdin Holdings Limited ("**Fly Aladdin**") for a disposal consideration of USD453.3 million (approximately RM1,777.6 million) ("**Proposed Disposal To FLY**") in accordance with the terms and subject to the conditions as set out in the share purchase agreement dated 28 February 2018 entered into among AAB, AACL, Fly Aladdin and FLY Leasing Limited and such other ancillary agreements, instruments or documents whatsoever that have been or will be entered into by the relevant parties in connection with the Proposed Disposal To FLY.

THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to the Company, AAB and AACL to dispose of 27 aircraft to be delivered in the future to Fly Aladdin for a disposal consideration to be agreed among the parties at a later date ("**Proposed Future Disposal To FLY**") in accordance with the terms and subject to the conditions as set out in the aircraft sale and purchase agreement dated 28 February 2018 entered into among AAB, AACL and Fly Aladdin and such other ancillary agreements, instruments and documents whatsoever that have been or will be entered into by the relevant parties in connection with the Proposed Future Disposal To FLY.

THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to the Company, AAB and AACL to grant options to Incline Aladdin and Fly Aladdin, respectively to collectively purchase up to 50 aircraft to be delivered in the future for a purchase consideration to be agreed among the parties at a later date (collectively "**Proposed Option**") in accordance with the terms and subject to the conditions as set out in the aircraft sale and purchase option agreement dated 28 February 2018 entered into among AAB, AACL and Incline Aladdin, and the aircraft sale and purchase option agreement dated 28 February 2018 entered into among AAB, AACL and Fly Aladdin, respectively, for the Proposed Option, and such other ancillary agreements, instruments and documents whatsoever that have been or will be entered into by the relevant parties in connection with the Proposed Option.

THAT authority be and is hereby given to the Board of Directors of the Company or any other subsidiaries of the Company to enter into, assent to any modifications to the required and relevant agreements under or pursuant to the Proposed Disposal To Incline B, Proposed Future Disposal To Incline, Proposed Disposal To FLY, Proposed Future Disposal To FLY and Proposed Option (collectively "**Proposals**") and to sign, execute and deliver any other ancillary agreements, instruments and documents whatsoever in relation thereto (as may be

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amended from time to time by further agreement among the parties) in connection with the Proposals, including to enter into relevant lease agreements or arrangements in respect of such aircraft and/or aircraft engines for the benefit of the Company and/or any of its subsidiaries upon completion of the Proposals or any part thereof on such terms and conditions as the Board of Directors of the Company may deem fit.

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

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

6.0 CLOSE OF MEETING

- 6.1 There being no other matters, the meeting closed at 11.45 a.m. with a vote of thanks from Mr. Wijeyamuni Anthony Peter Soyza to the Chair.