

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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AIRASIA BERHAD

*(Company No. 284669-W)
(Incorporated in Malaysia under the Companies Act, 1965)*

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED ISSUANCE AND ALLOTMENT OF 559,000,000 NEW ORDINARY SHARES OF RM0.10 EACH IN AIRASIA BERHAD ("AAB SHARE") TO TUNE LIVE SDN. BHD., AT AN ISSUE PRICE OF RM1.84 PER AAB SHARE SUBJECT TO ADJUSTMENTS IN ACCORDANCE WITH THE SUBSCRIPTION AGREEMENT (AS DEFINED HEREIN)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING ("EGM")

Joint Principal Advisers



CIMB

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

RHB  **InvestmentBank**

RHB Investment Bank Berhad (19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolution in respect of the above proposal will be tabled at an EGM to be held as follows. The Notice of EGM and the Form of Proxy are set out in this Circular.

You are entitled to attend and vote at our EGM or appoint a proxy to vote for and on your behalf. In such event, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon, to reach our registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the date and time fixed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Date and time of the EGM	:	Monday, 9 May 2016 at 10.00 a.m., or at any adjournment
Venue of the EGM	:	Asian Aviation Centre of Excellence, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia
Last day and time for lodging the Form of Proxy	:	Saturday, 7 May 2016 at 10.00 a.m.

This Circular is dated 22 April 2016

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DEFINITIONS

The following definitions shall apply throughout this Circular unless the context requires otherwise:

AAB or our Company	: AirAsia Berhad (Company No.: 284669-W)
AAB Group or our Group	: AirAsia and its subsidiaries, collectively
AAB Share(s)	: Ordinary share(s) of RM0.10 each in our Company
Act	: Companies Act, 1965, including any amendments and re-enactments made thereto from time to time
Adjusted Issue Price	: RM1.80 per Subscription Share, after adjusting the Issue Price to take into account the Dividend Declaration
Beneficial Owner	: With respect to any corporation, the legal and beneficial interests or ownership of TSTF and DKM in that corporation with both of them holding in aggregate the entire equity interest of that corporation save for any encumbrance or interests which is permitted to be granted or created in favour of any financier
BNM	: Bank Negara Malaysia
Board	: The Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn. Bhd. (Company No.: 165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (Company No.: 635998-W)
CIMB	: CIMB Investment Bank Berhad (Company No.: 18417-M)
Circular	: This circular to our shareholders dated 22 April 2016 in relation to the Proposed Shares Issuance
Completion	: Completion of the issuance and allotment of the Subscription Shares by our Company to the Subscriber or such other party as nominated by the Subscriber, as the case may be, in accordance with the terms of the Subscription Agreement
DAA	: Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Dividend Declaration	: First and final dividend of 4 sen each per AAB Share, of which the entitlement date is 30 May 2016, subject to the approval of AAB's shareholders at a general meeting to be convened, as announced by our Company on 31 March 2016
DKM	: Datuk Kamarudin bin Meranun
EGM	: Extraordinary general meeting
Enlarged Share Capital	: The enlarged issued and paid-up share capital of AAB of RM334,197,408 comprising 3,341,974,080 AAB Shares taking into account our Company's existing issued and paid-up share capital as at the LPD inclusive of the Treasury Shares and the issuance and allotment of the Subscription Shares
EPS	: Earnings per share
FYE	: Financial year ended
Interested Directors	: Collectively, TSTF, DKM and DAA
Issue Price	: RM1.84 per Subscription Share, subject to adjustments in accordance with the Subscription Agreement
Joint Principal Advisers	: Collectively, CIMB and RHB
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities, as amended or modified from time to time

DEFINITIONS *(cont'd)*

LPD	:	28 March 2016, being the latest practicable date before the printing of this Circular
Market Day	:	A day on which the stock market of Bursa Securities is open for trading in securities
NA	:	Net assets
Proposed Shares Issuance	:	Proposed issuance and allotment of the Subscription Shares, representing approximately 16.7% of the Enlarged Share Capital at the Issue Price or the Adjusted Issue Price, as the case may be, to be satisfied in cash by the Subscriber
Record of Depositors	:	Our Company's record of depositors maintained by Bursa Depository under the Rules of Bursa Depository
RHB	:	RHB Investment Bank Berhad (Company No.: 19663-P)
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules of Bursa Depository	:	Rules of Bursa Depository issued pursuant to Securities Industry (Central Depositories) Act 1991, as amended and re-enacted from time to time
Subscriber	:	Tune Live Sdn. Bhd. (Company No.: 948620-U)
Subscription Agreement	:	Conditional subscription agreement dated 1 April 2016 entered into between AAB and the Subscriber in relation to the Proposed Shares Issuance
Subscription Shares	:	559,000,000 new AAB Shares
TASB	:	Tune Air Sdn. Bhd. (Company No.: 548526-V)
Treasury Shares	:	100,000 treasury shares of RM0.10 each held by AAB as at the LPD
TSTF	:	Tan Sri Dr. Anthony Francis Fernandes
USD	:	United States Dollar
VWAP	:	Volume weighted average price

All references to “**our Company**” or “**AAB**” in this Circular are to AirAsia Berhad, and references to “**our Group**” or “**AAB Group**” are to our Company and our subsidiaries, collectively. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company and, where the context requires otherwise, our subsidiaries.

All references to “**you**” or “**your**” in this Circular are to the shareholders of our Company.

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.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day and date in this Circular is a reference to Malaysian time and date respectively.

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AIRASIA BERHAD

(Company No. 284669-W)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

22 April 2016

Our Board of Directors:

Datuk Kamarudin bin Meranun (*Non-Independent Executive Chairman*)
Tan Sri Dr. Anthony Francis Fernandes (*Non-Independent Executive Director and Group Chief Executive Officer*)
Aireen Omar (*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*)
Stuart L Dean (*Independent Non-Executive Director*)
Amit Bhatia (*Independent Non-Executive Director*)
Dato' Sri Gnanaraja A/L M. Gnanasundram (*Independent Non-Executive Director*)
Dato' Mohamed Khadar bin Merican (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED SHARES ISSUANCE

1. INTRODUCTION

On 1 April 2016, the Joint Principal Advisers announced, on behalf of our Company, that we have entered into the Subscription Agreement, where 559,000,000 Subscription Shares, representing approximately 16.7% of the Enlarged Share Capital, shall be issued by our Company at the Issue Price to be satisfied in cash by the Subscriber.

The Issue Price was arrived at by mutual agreement between our Company and the Subscriber, based on the five (5)-Market Day VWAP of the AAB Shares up to 31 March 2016, being the date immediately preceding the date of the Subscription Agreement, and on the basis that no dividends will be declared or paid on or after the date of the Subscription Agreement. On 31 March 2016, our Company announced the Dividend Declaration.

Accordingly, pursuant to the terms of the Subscription Agreement, the Issue Price shall be adjusted downwards by the equivalent amount to the dividends declared or to be paid per AAB Share under the Dividend Declaration. Hence, the Issue Price will be adjusted from RM1.84 per Subscription Share to RM1.80 per Subscription Share on the basis that the Subscription Shares are not entitled to the Dividend Declaration.

In addition to the Dividend Declaration, if any dividends are declared or paid, the Issue Price will be further adjusted downwards by the equivalent amount of the additional dividends declared or paid per AAB Share in accordance with the Subscription Agreement.

Based on the Adjusted Issue Price of RM1.80 per Subscription Share, AAB will raise a total gross cash proceeds of RM1,006.20 million.

For the purpose of this Circular, the description of the gross proceeds from the Proposed Shares Issuance and its financial effects are based on the Adjusted Issue Price. In the event and for whatsoever reason, the Subscription Shares becomes entitled to the Dividends Declaration and/or any other dividends declared or paid, there will be no adjustment to the Issue Price.

Subsequently on 15 April 2016, the Joint Principal Advisers, on behalf of our Board, announced that Bursa Securities had vide its letter dated 14 April 2016, approved the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities. The said approval of Bursa Securities is subject to the conditions as stated in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED SHARES ISSUANCE AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED SHARES ISSUANCE WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

WE ADVISE YOU TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARES ISSUANCE.

2. DETAILS OF THE PROPOSED SHARES ISSUANCE

2.1 Salient terms of the Subscription Agreement

The salient terms of the Subscription Agreement are, amongst others, as set out below:

2.1.1 Subscription

Subject to the terms and conditions of the Subscription Agreement, the Subscriber agrees to subscribe for the Subscription Shares at the Issue Price, subject to adjustment pursuant to the terms of the Subscription Agreement, to be satisfied fully in cash.

2.1.2 Conditions Precedent

The obligation of the Subscriber to subscribe for the Subscription Shares is conditional upon the following conditions being fulfilled within a period of sixty (60) days from the date of the Subscription Agreement or such longer period as our Company and the Subscriber (herein known as the “Parties” or “Party” in respect of either one) may mutually agree in writing:

- (i) your approval by way of a resolution passed at a general meeting of our Company, subject to the terms and conditions of the Subscription Agreement, in respect of the issuance and allotment of the Subscription Shares to the Subscriber;

- (ii) any other regulatory approvals which may be required for the Proposed Shares Issuance, including, without limitation, the approval from Bursa Securities for the listing of and quotation for the Subscription Shares and where applicable, BNM for any off-shore funding that the Subscriber may obtain for the purpose of the Proposed Shares Issuance; and
- (iii) where applicable, such other third party approvals which may be required for the Proposed Shares Issuance, including, without limitation, the approval from the relevant financiers and creditors of our Company.

(collectively, the “**Conditions Precedent**”)

Upon fulfilment of the Conditions Precedent (“**Unconditional Date**”), the Completion shall take place within a period of sixty (60) days from the Unconditional Date or the date falling three (3) business days after the date of your entitlement to the payment of dividends in respect of the FYE 31 December 2015 (whichever is later).

2.1.3 Termination

2.1.3.1 Events

Notwithstanding anything contained in the Subscription Agreement, the Subscriber and our Company shall be entitled to terminate the Subscription Agreement pursuant to events in (i) to (iii) below and (ii) and (iv) below, respectively, if such event occur at any time on or prior to the date of allotment of the Subscription Shares:

- (i) in the reasonable opinion of the Subscriber there shall have been since the date of the Subscription Agreement such a change in financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the Completion; or
- (ii) any breach of any of the terms and conditions of the Subscription Agreement, including any breach of any undertaking, representations and warranties; or
- (iii) there is any adverse change in the financial position of our Company or our subsidiaries which in the reasonable opinion of the Subscriber is material in the context of the Proposed Shares Issuance; or
- (iv) there is any adverse change in the financial position of the Subscriber, TSTF and/or DKM which in the reasonable opinion of our Company is material in the context of the Proposed Shares Issuance.

2.1.3.2 Effect of termination

In the event that the Subscription Agreement is terminated pursuant to Section 2.1.3.1 above, prior to the Completion and prior to any monies being paid by the Subscriber to our Company, all obligations of the Parties shall cease and no Party shall have any claim against any other Party except for:

- (i) any antecedent breach of any obligation under the Subscription Agreement; and
- (ii) payment liability of costs and expenses under the Subscription Agreement.

For the avoidance of doubt, where the Completion has taken place and any breach of the Subscription Agreement is discovered at a subsequent time, the non-defaulting Party shall be entitled to all rights and remedies at law or in equity (including, the recovery of any monies paid by the Subscriber).

2.1.4 Assignment/Transfer of rights and obligations

The Subscriber shall be entitled, without the prior consent of our Company and at the cost of the Subscriber, to assign, novate or transfer all and any rights, liabilities or obligations granted or imposed under the Subscription Agreement (collectively, “**Assignment**”) to any corporation (whether incorporated in Malaysia or otherwise) having the same Beneficial Owner (“**Transferee**”) up to the date of allotment of the Subscription Shares. The Subscriber shall provide our Company with a notice in writing of the Assignment and a written undertaking on the part of the Transferee to assume and comply with the rights and obligations of the Subscriber under the Subscription Agreement seven (7) business days prior to the Assignment taking effect.

Our Company shall not be permitted to assign, novate or transfer any rights, liabilities or obligations granted or imposed under the Subscription Agreement without the prior consent of the Subscriber.

2.1.5 Undertakings by our Company

Our Company shall not enter into any agreement, transaction or arrangement (whether conditional or not) to issue, allot or increase or alter in any manner whatsoever any part of our Company’s share capital including issuing any convertible instrument on and from the date of the Subscription Agreement until Completion.

2.2 Basis of determining and the justification of the Issue Price

The Issue Price was arrived at based on the five (5)-Market Day VWAP of the AAB Shares up to 31 March 2016, being the date immediately preceding the date of the Subscription Agreement, which is equivalent to RM1.84 per AAB Share.

As a result of the Dividend Declaration, the Issue Price of RM1.84 will be adjusted to the Adjusted Issue Price of RM1.80 in accordance with the terms of the Subscription Agreement.

The Adjusted Issue Price of RM1.80 represents a premium to the share price performance of AAB Shares over the past twelve (12) months (after taking into account the effects of the Dividend Declaration) on/up to 31 March 2016 as shown in the table below:

Description	RM ⁽¹⁾	RM (adjusted for the Dividend Declaration)	Premium (%)
• Last closing price	1.83	1.79	0.6
• 1-month VWAP	1.74	1.70	5.9
• 3-months VWAP	1.61	1.57	14.6
• 6-months VWAP	1.52	1.48	21.6
• 12-months VWAP	1.41	1.37	31.4

Note:

(1) Source: Bloomberg as at 31 March 2016.

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2.3 Issuance of Shares to directors, major shareholders and/or persons connected to them

As at the LPD, the major shareholders who are also directors of our Company, TSTF and DKM hold directly and indirectly a total of 19.0% shareholding in our Company and are also directors and substantial shareholders of the Subscriber. Therefore, our Company shall seek approval from our non-interested shareholders for the issuance and allotment of the Subscription Shares to the Subscriber who is a person connected to TSTF and DKM, in accordance with Paragraph 6.06 of the Listing Requirements.

2.4 Ranking of the Subscription Shares

The Subscription Shares shall, upon issue and allotment, rank *pari passu* in all respects with the existing AAB Shares, save and except that the Subscription Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid for which the entitlement date falls before the date of allotment of the Subscription Shares.

2.5 Listing of and quotation for the Subscription Shares

We had on 14 April 2016 obtained the approval from Bursa Securities for the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds

The gross proceeds raised from the Proposed Shares Issuance will be utilised for the pre-payment and repayment of our Group's indebtedness, financing of aircraft, engines and parts, pre-delivery payments of aircraft, general corporate and working capital, and the expenditures related to the Proposed Shares Issuance.

The details of the proposed utilisation of the gross proceeds raised from the Proposed Shares Issuance are as follows:

Purpose	Gross proceeds ⁽¹⁾		Estimated utilisation timeframe from Completion
	(RM'000)	%	
Pre-payment of unsecured term loan facilities and repayment of unsecured revolving credit ⁽²⁾	342,000	34.0	Within 6 months
Funding for aircraft, spare engines and other aircraft parts and associated pre-delivery payments ⁽³⁾	275,000	27.3	Within 18 months
Construction and development of our Group's headquarters ⁽⁴⁾	103,817	10.3	Within 18 months
General corporate and working capital ⁽⁵⁾	283,983	28.2	Within 18 months
Estimated expenses for the Proposed Shares Issuance ⁽⁶⁾	1,400	0.2	Within 6 months
Total	1,006,200	100.0	

Notes:

(1) The gross proceeds to be raised are arrived at based on the Subscription Shares at the Adjusted Issue Price.

LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED SHARES ISSUANCE (cont'd)

- (2) As at 31 March 2016, the principal amount of unsecured facilities granted by financial institutions to our Group is approximately RM573.00 million. The proposed pre-payment/repayment of bank borrowings is as set out below. The bank borrowings were selected for pre-payment/repayment after taking into consideration the interest rates, as well as maturity of the facilities. The annual interest savings over the remaining term of the unsecured term loan facilities are approximately RM10.69 million.

Facility	Amount outstanding as at 31 March 2016 (RM'000)	Proposed pre-payment / repayment (RM'000)	Interest rate (% per annum) / Maturity	Purpose
Unsecured Term Loan	315,000	84,000	4.90% / 2018	Working capital
Unsecured Term Loan	210,000	210,000	6.46% / 2022	Working capital
Unsecured Revolving Credit	48,000	48,000	4.32% / 2016	Working capital
Total	573,000	342,000		

The unsecured term loans were mainly utilised to refinance a Sukuk Ijarah issued by our Company which matured in May 2013. The remaining balance of the unsecured term loan and the revolving credit were mainly utilised to finance the daily operational activities of our Company such as fees to various aviation authorities, the operating, repair and maintenance expenses of our Company's fleet and sales and marketing expenses.

- (3) Funding for aircraft of our Group consist of partial payment to Airbus S.A.S ("**Airbus**") for up to four (4) A320neo aircraft inclusive of CFM Leap-1A26 engines in aggregate of RM111.00 million and pre-delivery payments due to Airbus in 2017 in aggregate of RM164.00 million.
- (4) Relates to the construction of our Group's new six-storey headquarters building known as RedQ at the area of Kuala Lumpur International Airport 2 ("**KLIA 2**") that will cover a gross floor area of approximately 613,000 square feet and a built-up area of approximately 250,000 square feet. It will house both AirAsia and AirAsia X Berhad's corporate offices and operations' divisions, which are currently separated between the LCC Terminal and a temporary operations office at KLIA 2. As at LPD, the percentage of completion of our Group's new headquarters is approximately 50%.

As at LPD, a total of approximately RM68.76 million of the total development cost of approximately RM172.58 million has been paid via internally generated funds. The balance of the total development cost is proposed to be funded via part of the proceeds of the Proposed Shares Issuance. If actual expenses are lower than estimated, the excess will be utilised for general corporate and working capital as set out in (5) below.

- (5) Our Group utilises overdraft, short term revolving credit and trade facilities to meet part of its working capital requirements. Our Company proposes to utilise part of the gross proceeds from the Proposed Shares Issuance for its business operations. This includes partially financing our Company's daily operations and corporate expenditures, which include but not limited to sales and marketing expenses of approximately RM94.00 million, general administrative expenses such as rental, corporate administrative costs and fees of approximately RM40.00 million and other operating expenditure such as airport handling and landing charges, including but not limited to relocation costs and expenses at the new headquarters at KLIA 2, of approximately RM150.00 million.

In the event that the actual expenditure of the funds allocated above is lower than estimated, such excess will be allocated and utilised for general corporate purposes.

- (6) The expenses to be borne by our Company in connection with the Proposed Shares Issuance are estimated to be approximately RM1.40 million. The nature of such expenses comprises of professional fees, fees to authorities, EGM, printing, postage, advertising and other miscellaneous expenses connected to the Proposed Shares Issuance.

If the actual expenses are higher than estimated, the deficit will be funded out of the amount allocated for general corporate and working capital. However, if the actual expenses are lower than estimated, the excess will be utilised for general corporate and working capital as set out in (5) above.

Pending the deployment of the net proceeds from the Proposed Shares Issuance, such net proceeds may be deposited with banks and/or financial institutions and/or invested in short-term money market instrument(s) and/or debt instruments, as our Board may deem appropriate in the interest of our Group.

AAB will disclose the status of the utilisation of the proceeds raised from the Proposed Shares Issuance in its quarterly results until the proceeds have been fully utilised.

3. INFORMATION ON THE SUBSCRIBER

Tune Live Sdn. Bhd. was incorporated in Malaysia under the Act on 15 June 2011. As at 31 March 2016, the authorised share capital of the Subscriber is RM5,000,000.00, comprising of 5,000,000 ordinary shares of par value RM1.00 each, for which a total of 1,000,002 ordinary shares have been fully issued and paid-up.

The Subscriber is currently dormant.

The directors of the Subscriber as at 31 March 2016 are TSTF and DKM who holds 50.0% and 50.0% shareholding, directly and indirectly, respectively, in the share capital of the Subscriber.

4. RATIONALE FOR THE PROPOSED SHARES ISSUANCE

The Proposed Shares Issuance will enable our Company to raise the necessary funds to finance the pre-payment/repayment of bank borrowings as described in Section 2.6 above, which will have the effect of reducing our Group's gearing (through the reduction in bank borrowings and the increase in shareholders' equity) thereby providing flexibility for future fund raising for committed capital expenditures as and when they arise. The effect of the Proposed Shares Issuance on our Group's gearing is presented in Section 5.2 of this Circular.

In addition to the above, the Proposed Shares Issuance will enable our Company to raise funds for general corporate and working capital requirements thereby increasing our Group's working capital capabilities. The utilisation of proceeds for working capital is expected to contribute positively, directly and indirectly, to our Company's financial position that will enable our Company to strengthen its balance sheet and increase financing flexibility.

After due consideration of various methods of fund raising, our Board (other than the Interested Directors) is of the opinion that the Proposed Shares Issuance is currently the most appropriate means of raising funds for our Group as compared to other available options based on the following:

- (i) the terms for the USD1.0 billion Multicurrency Medium Term Note Programme which was announced on 6 January 2016 were not favourable due to weak market sentiments resulting in the Proposed Shares Issuance taking precedence as a more efficient and expeditious fund raising avenue;
- (ii) the Proposed Shares Issuance also enables our Group to raise additional funds without having to incur additional borrowings and related interest expenses. This allows our Group to preserve cash flow for operational purposes and to reduce gearing levels; and
- (iii) the Proposed Shares Issuance is a comparatively efficient avenue to raise the required quantum of funds as opposed to other forms of equity fund raising approaches such as rights issue exercise, which although is a pro-rata issuance of securities to all shareholders, there is no certainty of successful completion and which may require underwriting. There is also no certainty in the successful completion of a proposed placement of new shares which is typically priced at a discount to market to encourage new investors to subscribe.

The Proposed Shares Issuance also indicates the continued commitment of TSTF and DKM as the substantial shareholders of our Company by making further substantial investments into our Group at AAB's market share price to support its growth and requirements.

Given that the Proposed Shares Issuance meets our Company's objectives of fund raising while strengthening our Company's balance sheet, increasing financing flexibility and reducing current gearing levels, our Board (other than the Interested Directors) is of the view that the Proposed Shares Issuance would be in the best interest of our Company.

5. EFFECTS OF THE PROPOSED SHARES ISSUANCE

For illustrative purposes, the effects of the Proposed Shares Issuance are as follows:

5.1 Issued and Paid-Up Share Capital

The proforma effects of the Proposed Shares Issuance on the issued and paid-up share capital of our Company are as follows:

	No. of AAB Shares ('000)	Amount (RM'000)
Issued and paid-up share capital of AAB as at the LPD ⁽¹⁾	2,782,974	278,297
To be issued pursuant to the Proposed Shares Issuance	559,000	55,900
Enlarged issued and paid-up share capital of AAB after the Proposed Shares Issuance	3,341,974	334,197

Note:

(1) Inclusive of the Treasury Shares.

5.2 NA, NA per Share and gearing

The proforma effects of the Proposed Shares Issuance on the NA, NA per AAB Share and gearing of AAB as at its latest available audited consolidated financial statements are as set out below:

	Audited As at 31 December 2015 (RM'000)	After the Proposed Shares Issuance ⁽¹⁾ (RM'000)
Share capital	278,297	334,197
Share premium	1,230,941	2,181,241
Foreign exchange reserve	18,948	18,948
Retained earnings ⁽²⁾	3,355,740	3,354,340
Other reserves	(431,598)	(431,598)
	4,452,328	5,457,128
Non-controlling interests	(1,474)	(1,474)
Equity attributable to equity holders of AAB / NA	4,450,854	5,455,654
Number of AAB Shares in issue ('000)	2,782,974	3,341,974
Total borrowings	12,612,835	12,270,835
NA per AAB Share ⁽³⁾ (RM)	1.60	1.63
Gearing ⁽⁴⁾ (times)	2.83	2.25

Notes:

(1) Based on the Adjusted Issue Price.

(2) After expensing the estimated expenses related to the Proposed Shares Issuance.

(3) Calculated as NA divided by the number of AAB Shares in issue.

(4) Calculated as total borrowings divided by NA.

5.3 Earnings and EPS

The Proposed Shares Issuance is expected to generate annual interest savings of approximately RM10.69 million arising from the pre-payment of bank borrowings.

Moving forward, the Proposed Shares Issuance is expected to contribute positively to the consolidated earnings of our Group for the ensuing financial years, when the benefits of the proposed utilisation of proceeds as set out in Section 2.6 of this Circular are realised.

However, the consolidated EPS of our Group will be proportionately diluted upon completion of the Proposed Shares Issuance as a result of the Subscription Shares issued.

5.4 Convertible securities

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

5.5 Substantial shareholders' shareholdings

As at the LPD, based on the Register of Substantial Shareholders of our Company, the proforma effects of the Proposed Shares Issuance on the shareholdings of the substantial shareholders of our Company are as follows:

Substantial shareholders	As at the LPD				After the Proposed Shares Issuance			
	Direct		Indirect		Direct		Indirect	
	No. of AAB Shares ('000)	% ⁽¹⁾	No. of AAB Shares ('000)	% ⁽¹⁾	No. of AAB Shares ('000)	% ⁽²⁾	No. of AAB Shares ('000)	% ⁽²⁾
TASB	525,042	18.9	-	-	525,042	15.7	-	-
TSTF ⁽³⁾	1,600	0.1	525,042	18.9	1,600	0.1	1,084,042	32.4
DKM ⁽³⁾	2,000	0.1	525,042	18.9	2,000	0.1	1,084,042	32.4
Wellington Management International, Ltd	148,858	5.4	-	-	148,858	4.5	-	-
Wellington Management Group LLP ⁽⁴⁾	-	-	157,599	5.7	-	-	157,599	4.7
Wellington Group Holdings LLP ⁽⁴⁾	-	-	157,599	5.7	-	-	157,599	4.7
Wellington Investment Advisors Holdings LLP ⁽⁴⁾	-	-	157,599	5.7	-	-	157,599	4.7
Wellington Management Global Holdings, Ltd ⁽⁴⁾	-	-	148,858	5.4	-	-	148,858	4.5
Subscriber	-	-	-	-	559,000	16.7	-	-

Notes:

(1) Based on the issued and paid-up share capital of AAB of RM278,287,408 comprising 2,782,874,080 AAB Shares as at the LPD (excluding the Treasury Shares).

(2) Based on the issued and paid-up share capital of AAB of RM334,187,408 comprising 3,341,874,080 AAB Shares after the Proposed Shares Issuance (excluding the Treasury Shares).

(3) *Deemed interested by virtue of his substantial shareholding in TASB and after the Proposed Shares Issuance, TASB and the Subscriber pursuant to Section 6A of the Act.*

(4) *Wellington Management Group LLP is registered as an investment advisor with the United States Securities and Exchange Commission under Section 203 of the Investment Advisors Act of 1940, as amended and acts as discretionary investment manager on behalf of various separate accounts.*

Wellington Management International, Ltd is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

Upon completion of the Proposed Shares Issuance, the total shareholdings of the non-interested shareholders of our Company will decrease from approximately 81.0% to 67.5%, resulting in a proportionate dilution in shareholdings of approximately 13.5%, as the result of the Subscription Shares issued.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECT

6.1 Overview and outlook of the global airline industry

The global air passenger market carried strong momentum into 2016. Global passenger traffic in January was 7.1% higher than in the same month in 2015. The continuation of the strong upward trend in seasonally-adjusted traffic underlines the resilience of industry performance to the equity market turmoil seen in early 2016.

The airlines have continued to react to robust travel demand by adding capacity cautiously (total available seat kilometres (“ASKs”) increased by 5.6% year-on-year in January). As was the case in 2015 as a whole, demand growth in January outstripped capacity growth in all regions except the Middle East.

(Source: International Air Transport Association (“IATA”) Economic Report entitled Airlines Financial Monitor, January 2016 - February 2016 published on IATA’s website <https://www.iata.org>)

The global outlook for air transport for fiscal year 2016 is positive. According to IATA, the demand for air travel is accelerating, with an expected growth of 6.9%, the most optimistic forecast since 2010 and well above the 5.5% trend of the past 20 years. The key driving factor is continuously declining air fares (which on average is USD375 in 2016 before surcharges and tax), currently 61% lower than 20 years earlier. Globally, about 1% of world gross domestic product (“GDP”) will be spent on air transport in 2016, totaling almost USD750 billion.

Nevertheless, the outlook for 2016 is varied among the different regions. The strongest financial performance is expected in North America, while the strongest traffic growth is forecasted in the Middle East (about 12%). Traffic in Asia-Pacific will continue to grow (about 6.8%), but at a slower pace than in the past. Latin America is slowly recovering (about 4.4% growth), while Africa continues to struggle at growth rates around 1.5%. While the oil price is expected to remain at low levels, the cost of infrastructure continues to rise, which is a challenge for many developing countries. This also results in a sharp increase of user cost of airport and air navigation services.

(Source: World Bank Group Air Transport Annual Report 2015)

Over the next twenty years, whilst traffic to and from the “advanced” aviation markets will continue to grow, traffic to and from today’s emerging markets will grow strongly both in terms of actual traffic and its share. In 2034, more than 70% of the revenue passengers kilometres (“RPKs”) will be flown from, to and between emerging regions.

Low cost carrier (“LCC”) expansion is another aspect of the markets structure that will evolve. LCCs are today present at a global level, at times with differing models and market penetration levels. Simple fleet structure, fast turnaround time, rationalised structural costs and a focus on ancillary revenues, enable LCCs to acquire market share and importantly open new routes and markets. LCC presence in a market stimulates growth. Another independent variable that can be used in forecasting traffic is airline yield, which in turn is driven by ticket price, a key tool in the LCC competitive tool box.

At a worldwide level, the rapid expansion of LCCs will potentially result in a market share of 21% in 2034, four points above the current level. LCC penetration is the highest in the intra-regional market in Europe (nearly 40% of ASK), domestic markets in emerging Asian countries (nearly 60% of ASKs) and domestic markets in the Indian Subcontinent (nearly 65% of ASKs). LCCs are also now beginning to expand in Africa and the Middle East.

(Source: Airbus Global Market Forecast (GMF), Flying by Numbers 2015-2034, website: <http://www.airbus.com>)

6.2 Overview and outlook of the airline industry in Asia-Pacific

Asia has become one of the biggest aviation markets in the world at last count, a billion passengers travel to, from, or within the region each year and more than 100 million new passengers are projected to enter the market annually for the foreseeable future. As a result, the airlines and airports in this region are continually growing, with several ranked among the largest in the world. This evolution has been due largely to regional economic growth, liberalisation and deregulation, new, efficient airplanes, and new business models.

Over the past decade,

- Jet fleets of Asia airlines have nearly doubled, from 2,900 to 5,850.
- The number of Asia airlines with jet fleets has grown from 150 to 225.
- The capacity that these airlines provide has grown on average by 7% annually.
- Routes to, from, and within Asia have increased 57%, from 2,200 to 3,800.

(Source: Boeing Current Market Outlook, Long-Term Market 2015-2034, website: <http://www.boeing.com>)

Asia-Pacific has experienced various levels of growth in low cost operations in recent years. The Indian subcontinent and Asia Emerging (including countries such as Malaysia, Indonesia, Taiwan, South Korea, Philippines and China), LCCs have captured close to 65% and 60% of the total domestic traffic respectively, the market share of LCCs in Asia Developed (including Japan) and Australia/New Zealand have remained below 25%. LCC new operations in Asia Emerging have the benefit of less incumbency from existing airlines, benefiting from the growth in new flyers and developing liberalisation. On the other hand, within or between developed countries, the gap in terms of product offering and business models between legacy carriers and LCCs has narrowed in recent years. The People’s Republic of China (“PRC”) however is an exception to this trend, where LCCs have captured above 10% market share intra-regionally and less than 5% domestically. There appears therefore to be opportunities for further development in LCC operations from, to, and within China, this would also serve to increase the connectivity between growing population centres within China and with the rest of the region.

The propensity to travel in emerging regions will progressively catch up with advanced economies and market size between the regions will converge towards the demographic share between regions. The pace of this process depends on the economic performance and the level of liberalisation in emerging regions. Unsurprisingly, Asia-Pacific will become the largest market by 2034, responsible for 40% of the World RPKs.

In 2034, sixteen out of the twenty largest origin and destination traffic flows will involve emerging regions. Domestic PRC traffic will become the largest market, growing nearly fourfold by 2034. Some smaller markets will experience staggering growth: the domestic Indian market for example will grow nearly six fold over the next twenty years.

(Source: Airbus Global Market Forecast (GMF), Flying by Numbers 2015-2034, website: <http://www.airbus.com>)

6.3 Overview of AAB's business and prospects

Our Company continue to see strong demands in the first (1st) quarter of 2016 with average load factor at approximately 85% and an improved fare environment through capacity rationalisation by other carriers. Our Company continues to observe strong demand from the China markets. With the positive outlook and prospects of the airline industry coupled with the current favourable fuel price environment, our Company together with our affiliated airlines shall continue to focus on growing the network and footprints throughout the Asia-Pacific region particularly in Malaysia, Thailand, Indonesia, Philippines, India and Japan, amongst others.

As stated in Section 4 of this Circular, the proceeds from the Proposed Shares Issuance will enable our Company to increase its working capital capabilities, strengthen its balance sheet and increase its financing flexibility.

In view of the above and barring any unforeseen circumstances, the prospect of our Company in 2016 remains positive.

(Source: Management of our Company)

7. APPROVALS REQUIRED

The Proposed Shares Issuance is subject to and conditional upon approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities, which was obtained via its letter dated 14 April 2016, subject to the following conditions:

Conditions Imposed	Status of Compliance
(a) AAB and its adviser must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Shares Issuance;	Noted
(b) AAB and its adviser to inform Bursa Securities upon completion of the Proposed Shares Issuance;	To be complied
(c) AAB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Shares Issuance is completed;	To be complied
(d) AAB to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the EGM for the Proposed Shares Issuance;	To be complied
(e) AAB to furnish Bursa Securities with the declaration from Mr. Amit Bhatia pursuant to Item 4 of Part A of Annexure PN28-B of the Practice Note 28 of the Listing Requirements as soon as possible before the listing of the Subscription Shares to be issued pursuant to the Proposed Shares Issuance;	Complied
(f) If relevant, a confirmation letter from the principal advisers confirming that all approvals from the relevant authorities have been obtained together with a copy each of the approval letter from the relevant authorities as soon as possible before the listing of the Subscription Shares to be issued pursuant to the Proposed Shares Issuance; and	To be complied
(g) CIMB and RHB must submit to Bursa Securities the Subscriber's details in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of the subscription (if applicable) and before the listing of the Subscription Shares to be issued pursuant to the Proposed Shares Issuance.	To be complied

- (ii) our non-interested shareholders at the forthcoming EGM; and
- (iii) the approval of BNM for any off-shore funding that the Subscriber may obtain for the purpose of the Proposed Shares Issuance and any other relevant authorities, if required.

Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of AAB's Articles of Association, only those foreign interests who hold AAB Shares up to the current prescribed foreign ownership limit of 45.0% of AAB's total issued and paid-up share capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming EGM, shall be entitled to vote for the Proposed Shares Issuance. Consequently, the disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming EGM.

The Proposed Shares Issuance is not conditional upon any other corporate proposals or schemes of our Company.

8. HISTORICAL SHARE PRICES

The monthly high and low prices of AAB Shares traded on the Main Market of Bursa Securities from April 2015 up to March 2016 are as follows:

	High	Low
	RM	RM
2015		
April	2.40	2.22
May	2.34	2.02
June	2.22	1.43
July	1.60	1.23
August	1.40	0.765
September	1.42	0.875
October	1.61	1.22
November	1.52	1.30
December	1.45	1.26
2016		
January	1.45	1.27
February	1.47	1.33
March	1.92	1.48
Last transacted market price of AAB Shares on 31 March 2016, being the last trading day prior to the date of the announcement of the Proposed Shares Issuance on 1 April 2016		1.83
Last transacted market price of AAB Shares as at the LPD		1.89

(Source: Bloomberg as at 31 March 2016)

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9. OTHER CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Shares Issuance, there are no other corporate proposals which have been announced but have yet to be completed as at the LPD.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Shares Issuance is expected to be completed by third (3rd) quarter of 2016.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the directors and major shareholders of our Company and/or persons connected to them has any interest, direct and/or indirect, in the Proposed Shares Issuance.

As at the LPD, TASB holds 18.9% equity interest in our Company. Accordingly, TASB is deemed interested in the Proposed Shares Issuance due to TSTF's and DKM's shareholding interests and directorships in the Subscriber. TASB will abstain from voting in respect of its direct and/or indirect shareholding in our Company on the resolution pertaining to the Proposed Shares Issuance to be tabled at our Company's forthcoming EGM.

TSTF is the Non-Independent Executive Director and Group Chief Executive Officer of our Company, and a substantial shareholder of our Company via TASB. DKM is the Non-Independent Executive Chairman of our Company, and a substantial shareholder of our Company via TASB. DAA is the Non-Independent Non-Executive Director of our Company, and a director and shareholder of TASB.

The Interested Directors have direct and indirect interests in our Company. As such, they are deemed interested in the Proposed Shares Issuance. The Interested Directors have abstained and will continue to abstain from deliberating and voting on any resolution pertaining to the Proposed Shares Issuance at any Board meeting. The Interested Directors will also abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposed Shares Issuance to be tabled at our Company's forthcoming EGM.

Further, TASB and the Interested Directors have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolution pertaining to the Proposed Shares Issuance to be tabled at our Company's forthcoming EGM.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (other than the Interested Directors), after having considered all aspects of the Proposed Shares Issuance, including but not limited to the rationale, the utilisation of proceeds and the effects of the Proposed Shares Issuance as well as after careful deliberation, is of the opinion that the Proposed Shares Issuance is in the best interest of AAB and its shareholders and recommends that you vote in favour of the resolution pertaining to the Proposed Shares Issuance at the forthcoming EGM.

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13. EGM

An EGM, the notice of which is enclosed in this Circular, will be held at 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, 9 May 2016 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, to pass with or without modifications, the resolution to give effect to the Proposed Shares Issuance.

You are entitled to attend and vote at our EGM or appoint a proxy to vote for and on your behalf. In such event, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon, to reach our registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time fixed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

You are requested to refer to the Appendix of this Circular for further information.

Yours faithfully
For and on behalf of the Board of Directors of
AIRASIA BERHAD

DATO' FAM LEE EE
Senior Independent Non-Executive Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. They confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in this Circular false or misleading.

2. WRITTEN CONSENT AND CONFLICT OF INTEREST**2.1 CIMB**

CIMB, as our Joint Principal Adviser for the Proposed Shares Issuance, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and/or all references thereto in this Circular in the form and context in which they appear.

CIMB and its related and associated companies ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions and perform services for our Company and any of our respective affiliates, in addition to the role as Joint Principal Adviser for the Proposed Shares Issuance.

In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to engage in any transactions (on its own account or otherwise) with any member of our Group and/or our affiliates, hold long or short positions, and may trade or otherwise effect transactions on its own account or the account of its customers in debt or equity securities of our Group. This is a result of the businesses of the CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group.

CIMB Group has in the ordinary course of its banking business, granted credit facilities to our Group. As at the LPD, CIMB Group has granted a total of RM786.78 million facilities to our Group, of which the outstanding amount owing by our Group to the CIMB Group was approximately RM392.06 million. It is expected that our Company will channel part of the proceeds raised from the Proposed Shares Issuance to pre-pay approximately RM84.00 million of the amount owing to the CIMB Group.

CIMB Group is of the view that the aforementioned extension of credit facilities does not result in conflict of interest situation in respect of its capacity as Joint Principal Adviser for the Proposed Shares Issuance as:

- (i) the total credit facilities is not material when compared to the audited total net assets of the CIMB Group as at the FYE 31 December 2015 of approximately RM42.23 billion;
- (ii) the extension of credit facilities arose in the ordinary course of business of CIMB Group in view of CIMB Group's extensive participation in the Malaysian banking industry; and
- (iii) the conduct of CIMB Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and CIMB Group's own internal controls and checks.

FURTHER INFORMATION (cont'd)

2.2 RHB

RHB, as our Joint Principal Adviser for the Proposed Shares Issuance, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and/or all references thereto in this Circular in the form and context in which they appear.

Dato' Mohamed Khadar bin Merican is an Independent Non-Executive Director of AAB and a Non-Independent Non-Executive Chairman of RHB Capital Berhad as well as a Non-Independent Non-Executive Director of RHB. Nevertheless, in view of his role as a non-executive director, he is not involved in the day-to-day operations of both RHB Capital Berhad and RHB.

RHB and/or its related companies ("**RHB Banking Group**") engage in private banking, commercial banking and investment banking transaction including, inter-alia, brokerage, securities trading, asset and funds management and credit transaction service businesses. The RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for the AAB and/or its affiliates, in addition to the role undertaken in the Proposed Shares Issuance. In addition, in the ordinary course of business, any member of the RHB Banking Group may at any time offer or provide their services to or engage in any transactions (on their own account or otherwise) with any member of AAB and/or its affiliates, and may trade or otherwise effect transactions for their own account or the account of their other customers in debt or equity securities or senior loans of AAB and/or its affiliates. This is a result of the businesses of the RHB Banking Group generally acting independently of each other, and accordingly there may be situations where parts of the RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of AAB.

As at 31 March 2016, RHB has in the ordinary course of business, extended credit facilities to our Group amounting to an aggregate of RM1,273.75 million. It is expected that our Company will channel part of the proceeds raised from the Proposed Shares Issuance to pre-pay approximately RM210.00 million of the amount owing to the RHB Banking Group.

RHB Banking Group is of the view that the abovementioned credit facilities do not result in conflict of interest situation in respect of its capacity in relation to the Proposed Shares Issuance as the total loan exposure is not material when compared to the audited total assets of the RHB Banking Group as at 31 December 2015. Furthermore, the extension of credit facilities arose in the ordinary course of business of the RHB Banking Group in view of RHB Banking Group's extensive participation in the Malaysian capital market and banking industry.

Notwithstanding the aforesaid, RHB confirms that there is no existing conflict of interest and is not aware of any circumstances which would or likely give rise to a possible conflict of interest by virtue of RHB's appointment as the Joint Principal Adviser for the Proposed Shares Issuance.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

As at the LPD, save as disclosed below, our Board is not aware of any approved and contractual material commitments incurred or known to be incurred by our Group:

	<u>RM'000</u>	<u>RM'000</u>
Property, plant and equipment		88,973,815
- Approved and contracted for	71,664,883	
- Approved and not contracted for	17,308,932	
Non-cancellable operating lease		2,753,931
Total		<u>91,727,746</u>

FURTHER INFORMATION *(cont'd)*

3.2 Contingent liabilities

As at the LPD, our Board is not aware of any material contingent liabilities, which may, upon being enforceable, have a material adverse effect on our Group's financial position or business.

4. MATERIAL LITIGATION OF OUR GROUP

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board does not have any knowledge of any such proceedings, pending or threatened against our Group or of any facts which is likely to give rise to any such proceedings which may materially and adversely affect the position or business of our Group.

5. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours on Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:

- (a) our Memorandum and Articles of Association;
- (b) our audited financial statements for the past two (2) FYE 31 December 2014 and 31 December 2015;
- (c) the Subscription Agreement; and
- (d) the letters of consent and non-conflict of interest referred to in Section 2 of this Appendix.

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AIRASIA BERHAD

(Company No. 284669-W)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of AirAsia Berhad (“**AAB**” or “**Company**”) will be held at 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, 9 May 2016 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION 1

PROPOSED ISSUANCE OF 559,000,000 NEW ORDINARY SHARES OF RM0.10 EACH IN AAB (“AAB SHARES”) (“SUBSCRIPTION SHARES”), REPRESENTING APPROXIMATELY 16.7% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF AAB, TO TUNE LIVE SDN. BHD. (COMPANY NO. 948620-U) (“SUBSCRIBER”) IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE SUBSCRIPTION AGREEMENT DATED 1 APRIL 2016 (“SUBSCRIPTION AGREEMENT”) (“PROPOSED SHARES ISSUANCE”)

“THAT subject to the approval of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the Subscription Shares on the Main Market of Bursa Securities and all the requisite consents/approvals of the relevant authorities and/or parties being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to issue and allot the Subscription Shares at the issue price referred to below to the Subscriber, a person connected to Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin bin Meranun by virtue of their directorships and shareholdings in the Subscriber;

THAT approval be and is hereby given for the Board to adjust the issue price per Subscription Share of RM1.84 to RM1.80 as a result of the first and final dividend of 4 sen each per AAB Share which was announced by the Company on 31 March 2016, and the Board be and is hereby authorised with full powers to make further adjustments to the issue price (where necessary) in accordance with the Subscription Agreement;

THAT approval be and is hereby given for the Company to utilise the proceeds from the Proposed Shares Issuance for the purposes set out in the circular to shareholders dated 22 April 2016, and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board shall in its absolute discretion deem fit, necessary, expedient and/or appropriate and in the best interest of the Company, subject to the approval of the relevant authorities, where required;

THAT the Subscription Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the existing AAB Shares, save and except that the Subscription Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid for which the entitlement date is before the date of allotment of such Subscription Shares;

AND THAT the Board be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as the Board may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Shares Issuance with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Shares Issuance or as the Board may deem necessary or expedient, and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Shares Issuance in the best interest of the Company.”

BY ORDER OF THE BOARD

JASMINDAR KAUR A/P SARBAN SINGH
(MAICSA 7002687)

Company Secretary
Selangor Darul Ehsan
Malaysia
22 April 2016

Notes on Appointment of Proxy

- a) Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the Extraordinary General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the Extraordinary General Meeting.
- b) A member must be registered in the Record of Depositors at 5.00 p.m. on 3 May 2016 ("**General Meeting Record of Depositors**") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- c) A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- d) The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- e) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- f) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- g) The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

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AIRASIA BERHAD (Company No. 284669-W)

FORM OF PROXY

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

of (ADDRESS) being a

member of AIRASIA BERHAD ("the Company") hereby appoint *the Chairman of the meeting or

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

of (ADDRESS)

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

(ADDRESS)

as my/our proxy(ies), to vote in my / our name and on my / our behalf at the Extraordinary General Meeting of the Company to be held on Monday, 9 May 2016 at 10.00 a.m. at Asian Aviation Centre of Excellence, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia and at any adjournment of such meeting and to vote as indicated below:

Table with 4 columns: No, Ordinary Resolution, FOR, AGAINST. Row 1: 1, Proposed Shares Issuance, FOR, AGAINST

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

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

Table with 2 columns: Label, Value. Labels: No. of shares held:, CDS Account No., The proportion of my/our holding to be represented by my/our proxies are as follows:, Date:

Signature of Shareholder/Common Seal

Notes to Form of Proxy

- a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the Extraordinary General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the Extraordinary General Meeting.
b. A member must be registered in the Record of Depositors at 5.00 p.m. on 3 May 2016 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
c. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
d. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
e. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
f. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
g. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. Faxed copies of the duly executed form of proxy are not acceptable.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

Company Secretary
AirAsia Berhad (Company No. 284669-W)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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