

1. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Citizenship	Occupation
Dato' Pahamin Bin Ab Rajab (Non-Executive and Non-Independent Chairman)	No. 27, Jalan SS 3/80, 47300 Petaling Jaya, Selangor Darul Ehsan	Malaysian	Company Director
Anthony Francis Fernandes (Group Chief Executive Officer)	17, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur	Malaysian	Company Director
Kamarudin Bin Meranun (Executive and Non-Independent Director)	27, Jalan 15/1, Taman Tun Abdul Razak, 68000 Ampang, Selangor Darul Ehsan	Malaysian	Company Director
Sami Ali A. Sindi (Non-Executive and Non-Independent Director)	110 East 55th Street, New York, NY 10022	Saudi Arabian	Company Director
Mumtaz Khan (Non-Executive and Non-Independent Director)	10th Floor, Al Salam Tower, P.O. Box 11385, Manama, Kingdom of Bahrain	Pakistani	Company Director
John Francis Tierney (Non-Executive and Non-Independent Director)	Castletown, Portroe Nenagh, Co. Tipperary Ireland	Irish	Company Director
Conor Mc Carthy (Non-Executive and Non-Independent Director)	32, Home Farm Park, Drumcondra, Dublin 9, Ireland	Irish	Company Director
Tan Sri Dato' (Dr) R.V. Navaratnam (Independent Non-Executive Director)	No. 9, Lorong Medang, Bukit Bandaraya, 59100 Kuala Lumpur	Malaysian	Company Director
Datuk Leong Sonny @ Leong Khee Seong (Independent Non-Executive Director)	No. 74, Lorong Buluh Perindu 2, Taman Sa, 59000 Kuala Lumpur	Malaysian	Company Director
Fam Lee Ee (Independent Non-Executive Director)	No. 70, Jalan SS 21/1, Damansara Utama, 47400 Petaling Jaya	Malaysian	Advocate & Solicitor
Abdel Aziz @ Abdul Aziz Bin Abu Bakar (Alternate to Dato' Pahamin Bin Ab Rajab)	No. 64, Jalan Setiajaya, Damansara Heights, 50490 Kuala Lumpur	Malaysian	Company Director
Richard Todd Scanlon (Alternate to Sami Ali A. Sindi)	10A, Kay Siang Road, Singapore, 0248927	American	Company Director
Adeeb Ahmed (Alternate to Mumtaz Khan)	Villa 2707, Road 2770, Manama 327, Kingdom of Bahrain	Pakistani	Company Director
Brian Douglas Courtney (Alternate to John Francis Tierney)	23, Friths Drive Reigate, Surrey, RH2 0DS, England	British	Company Director

1. CORPORATE DIRECTORY (Cont'd)**AUDIT COMMITTEE**

Name	Designation	Directorship
John Francis Tierney	Member	Non-Executive and Non-Independent Director
Fam Lee Ee	Member	Independent Non-Executive Director
Datuk Leong Sonny@ Leong Khee Seong	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
John Francis Tierney	Member	Non-Executive and Non-Independent Director
Mumtaz Khan	Member	Non-Executive and Non-Independent Director
Datuk Leong Sonny @ Leong Khee Seong	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Dato' Pahamin Bin Ab Rajab	Member	Non-Executive and Non-Independent Chairman
Tan Sri Dato' (Dr) R.V. Navaratnam	Member	Independent Non-Executive Director
Fam Lee Ee	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (Cont'd)

REGISTERED OFFICE	:	25-5, Block H Jalan PJU 1/37, Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel: +603-7880-9318 Fax: +603-7880-6318
PRINCIPAL PLACE OF BUSINESS/HEAD OFFICE	:	Lot N1 Level 4 Main Terminal Building Kuala Lumpur International Airport 64000 Sepang Selangor Darul Ehsan Malaysia Tel: +603-8660-4333 Fax: +603-8776-0222 Website: www.airasia.com
FOREIGN REGISTERED BRANCH / REPRESENTATIVE OFFICES (UNDER AIRASIA BERHAD)	:	AirAsia Berhad (Branch) Tax No.: 3031233256 Registered office: 9th Floor Chutamas Building 89/170 Moo 3, Vibhavadi Road Talad Bang Khen, Laksi Bangkok 10210 Tel: +66-2515-9999 Fax: +66-2971-4500
	:	AirAsia Berhad (Representative Office) Registered office: Gedung Cardig, Bandar Udara Halim Perdana Kusuma Jakarta 13650 Tel: +62-21-8088-3912 Fax: +62-21-8088-3904
	:	AirAsia Berhad (Branch) Tax No.: 81755420 Registered office: Office 20, Mezzanine Level Passenger Terminal Macau International Airport Taipa, Macau Tel: +853-861-388 Fax: +853-861-398

1. CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARY	:	Jasmindar Kaur a/p Sarban Singh (MAICSA 7002687) 18, Jalan TK1/6 Taman Kinrara 7 th Mile, Jalan Puchong 58200 Kuala Lumpur Wilayah Persekutuan Malaysia Tel: +603-7880-9318 Fax: +603-7880-6318
PRINCIPAL BANKERS	:	RHB Bank Berhad (Company No. 6171-M) Tower Two & Tower Three RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel: +603-9287-8888
	:	Southern Bank Berhad (Company No. 5303-W) Plaza Damansara Branch Level 5, Menara Southern Bank 83 Medan Setia 1 Plaza Damansara 50772 Kuala Lumpur Tel: +603-2087-3000
	:	Public Bank Berhad (Company No. 6963-H) 7 th Floor, Menara Public Bank 146 Jalan Ampang 50250 Kuala Lumpur Tel: +603-2163-8888
	:	Bumiputra-Commerce Bank Berhad (Company No. 13491-P) Corporate Banking 22 nd & 23 rd Floor Menara Bumiputra No. 21, Jalan Melaka 50100 Kuala Lumpur Tel: +603-2698-8011
	:	DBS Bank Ltd (Company No. LF 00330) Labuan Branch Level 12(E) Main Office Tower Financial Park Labuan Jalan Merdeka 87000 Labuan Federal Territory Malaysia Tel: +60-87-423-375

I. CORPORATE DIRECTORY (Cont'd)

LEGAL ADVISERS	:	<i>To the Company as to Malaysian Law</i> Logan Sabapathy & Co Suite 2002, 20 th Floor Wisma Hamzah-Kwong Hing 50100 Kuala Lumpur Malaysia Tel: +603-2031-9780
	:	<i>To the Company as to United States Federal Law and English Law for the IPO</i> Clifford Chance Wong Pte Ltd 80 Raffles Place #58-01 UOB Plaza 1 Singapore 048624 Tel: +65-6416-8000
	:	<i>To the Joint Bookrunners as to United States and English Law</i> Allen & Overy 9 th Floor, Three Exchange Square Central Hong Kong Tel: +852-2974-7000
	:	<i>To the Underwriters of the Retail Offering and to the Joint Bookrunners for the Institutional Offering as to Malaysian Law</i> Zaid Ibrahim & Co. Level 19, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Tel: +603-2087-9999
INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS	:	PricewaterhouseCoopers 11 th Floor, Wisma Sime Darby Jalan Raja Laut 50706 Kuala Lumpur Malaysia Tel: +603-2693-1077
FINANCIAL ADVISER FOR THE IPO, JOINT MANAGING UNDERWRITER FOR THE RETAIL OFFERING AND JOINT BOOKRUNNER FOR THE INSTITUTIONAL OFFERING	:	RHB Sakura Merchant Bankers Berhad (Company No. 19663-P) Level 9, Tower Three, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel: +603-9287-3888
INTERNATIONAL FINANCIAL ADVISER TO THE COMPANY	:	Citigroup Global Markets Singapore Pte. Ltd. 3 Temasek Avenue 17 th Floor, Centennial Tower Singapore 039190 Tel: +65-6432-1000

1. CORPORATE DIRECTORY (Cont'd)

JOINT BOOKRUNNER FOR THE INSTITUTIONAL OFFERING	:	ECM Libra Securities Sdn Bhd (formerly known as BBMB Securities Sdn Bhd) (Company No. 164534-K) 1 st , 2 nd & 3 rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel: +603-2718-1888
JOINT BOOKRUNNER FOR THE INSTITUTIONAL OFFERING OUTSIDE MALAYSIA	:	Credit Suisse First Boston (Hong Kong) Limited 45/F Two Exchange Square 8, Connaught Place Hong Kong Tel: +852-2101-6000
JOINT MANAGING UNDERWRITER FOR THE RETAIL OFFERING	:	Southern Investment Bank Berhad (Company No. 169955-T) 16 th Floor, Wisma Genting 28 Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel: +603-2059-4188
CO-LEAD MANAGERS FOR THE INSTITUTIONAL OFFERING OUTSIDE MALAYSIA	:	DBS Bank Ltd 6, Shenton Way #36-01 DBS Building Tower One Singapore 068809 Tel: +65-6878-8888
	:	CLSA Singapore Pte Ltd 9 Raffles Place # 19-20/21 Republic Plaza II Singapore 048619 Tel: +65-6416-7888
CO-MANAGERS FOR THE INSTITUTIONAL OFFERING	:	SBB Securities Sdn Bhd (Company No. 100518-M) 51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel: +605-253-0888
	:	AmMerchant Bank Berhad (Company No. 23742-V) 22 nd Floor Bangunan AmBank Group Jalan Raja Chulan P.O. Box 10233 50708 Kuala Lumpur Tel: +603-2078-2633
	:	Avenue Securities Sdn Bhd (Company No. 682-X) Level 1 THB Satu Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel: +603-2089-1800

1. CORPORATE DIRECTORY (Cont'd)

RETAIL UNDERWRITERS	:	ECM Libra Securities Sdn Bhd (formerly known as BBMB Securities Sdn Bhd) (Company No. 164534-K) 1 st , 2 nd & 3 rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel: +603-2718-1888
	:	AmMerchant Bank Berhad (Company No. 23742-V) 22 nd Floor Bangunan AmBank Group Jalan Raja Chulan P.O. Box 10233 50708 Kuala Lumpur Tel: +603-2078-2633
	:	Avenue Securities Sdn Bhd (Company No. 682-X) Level 1 THB Satu Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel: +603-2089-1800
	:	Hwang-DBS Securities Berhad (Company No. 14389-U) Suite 23A – 01, 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel: +603-2143-7888
SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd (formerly known as Malaysian Share Registration Services Sdn Bhd) (Company No. 378993-D) Level 26, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel: +603-2721-2222
INDEPENDENT AVIATION CONSULTANT	:	The S-A-P Group LLC 222 Columbus Avenue, Suite 225 San Francisco, CA 94133 USA
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X) 27 Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Malaysia Tel: +603-2693-2075
LISTING SOUGHT	:	Main Board of Bursa Securities

2. INTRODUCTION

This Prospectus is dated October 20, 2004.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares as a prescribed security. In consequence thereof, the Shares offered through this Prospectus will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the rules of the Depository.

On September 24, 2004, approval was obtained from the SC in respect of the listing of the Company on the Main Board of Bursa Securities. The approval of the SC shall not be taken to indicate that the SC recommends the Initial Public Offering and the listing of the Company on the Bursa Securities. The SC shall not be liable for any non-disclosure on the part of the Company and assumes no responsibility for the contents of this Prospectus, and makes no representation as to the accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. **Prospective investors should rely on their own evaluation to assess the merits and risks of the investment in the Company. In considering the investment, investors who are in any doubt as to the action to be taken, should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

An application will be made to Bursa Securities within three Market Days from the date of this Prospectus for Admission and for dealing in and quotation for the entire issued and fully paid-up share capital of the Company, including the Shares which are the subject of this Prospectus, on the Main Board of Bursa Securities failing which, any allotment made on an application to subscribe for the Shares pursuant to this Prospectus shall be void pursuant to Section 52(1) of the SCA.

Acceptance of the applications in the Retail Offering will be conditional upon permission being granted to deal in and quotation for all the issued shares of the Company, including the Shares which are the subject of this Prospectus, within six weeks from the date of this Prospectus, or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of Bursa Securities within the six weeks or such longer period as may be specified by the SC. Monies paid in respect of any application accepted will be returned without interest if the said permission is not granted or revoked.

Pursuant to Section 52(2) of the SCA, in the event the application for Admission has not been made within three Market Days or permission has not been granted to deal in and quotation for all the issued shares of the Company including the Shares which are the subject of this Prospectus within six weeks or such longer period as may be specified by the SC, all monies paid in respect of any application accepted will be returned without interest and if such monies are not returned within 14 days after the Company becomes liable to do so, then, in addition to the liability of the Company, the officers of the Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period, subject to the provisions of Section 52(4) of the SCA.

The completion of the Retail Offering and the Institutional Offering are inter-conditional and subject to all Issue Shares and Offer Shares under the Initial Public Offering having been fully subscribed for.

If the Retail Offering and the Institutional Offering are not completed, monies paid in respect of any application for Shares will be returned to applicants without interest and if such monies are not returned within 14 days after the Company becomes liable to do so, then, in addition to the liability of the Company, the officers of the Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period. Further information on the Initial Public Offering is set forth in Section 4 of this Prospectus.

2. INTRODUCTION (Cont'd)

The Company needs to have at least 25% of the issued and paid-up share capital in the hands of public shareholders, as determined by Bursa Securities including a minimum of 1,000 public shareholders holding not less than 100 shares each upon completion of the Initial Public Offering and at the point of listing. The Company is expected to achieve this at the point of listing. In the event that the above requirement is not met, the Company may not be permitted to proceed with its listing on the Main Board of Bursa Securities. In the event thereof, monies paid in respect of all applications will be returned without interest and if such monies are not returned within 14 days after the Company becomes liable to do so, then the officers of the Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period. Further information on the Initial Public Offering is set forth in Section 4 of this Prospectus.

The Shares will be admitted to the Official List and official quotation of the Shares will commence upon receipt of confirmation from the Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to successful applicants.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications (refer to Section 23 of this Prospectus) **MUST** have CDS Accounts. Where an applicant does not presently have a CDS Account, he should open a CDS Account at an ADA prior to making an application for the Shares.

In the case of an application by way of Application Forms, an applicant must state his CDS Account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by way of keying in his CDS Account number if the instruction on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained in this Prospectus, in relation to the Initial Public Offering and if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Promoters, the Selling Shareholders or the Advisers. Neither the delivery of this Prospectus nor any offering of Shares made in relation to this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company or AirAsia since the date of this Prospectus.

This Prospectus has been prepared in the context of a public offering of securities under the laws of Malaysia.

The distribution of this Prospectus and the sale of the Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

3. SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY MORE DETAILED INFORMATION AND THE FINANCIAL INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. THE FOLLOWING IS ONLY A SUMMARY OF SALIENT INFORMATION ABOUT THE AIRASIA GROUP AND OTHER INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS, INCLUDING THE RISK FACTORS DESCRIBED IN SECTION 5 OF THIS PROSPECTUS, BEFORE DECIDING WHETHER TO INVEST IN THE ISSUE SHARES OFFERED HEREBY.

3.1 History and Business

AirAsia is a leading low-cost carrier in Southeast Asia. The Group focuses on providing high-frequency services on short-haul, point-to-point domestic and international routes. AirAsia implemented the low-cost carrier business model in Southeast Asia when it was re-launched as a low-cost carrier following the acquisition of the Company by Tune Air in December 2001. The Group is the only regional carrier to operate and have hubs in two domestic markets and have international routes originating from two countries. Currently, AirAsia operates from two hubs in Malaysia, KLIA and Senai, while Thai AirAsia operates from DMA.

The Group is one of the largest low-cost carriers in Southeast Asia, with a fleet of 24 aircraft (of which 16 aircraft are operated by AirAsia, four aircraft are leased to and operated by Thai AirAsia, and four aircraft are expected to be in operation (two in Malaysia and two in Thailand) by the beginning of November 2004). The Group intends to increase its fleet size to 36 aircraft by June 30, 2005, at which time AirAsia expects that it will operate 25 aircraft and Thai AirAsia will lease from AirAsia and operate 11 aircraft. In addition, AirAsia is currently considering acquiring up to 80 aircraft from Airbus or Boeing, consisting of 40 purchase obligations and 40 purchase options from Airbus or Boeing (the "Proposed Acquisition"). If it proceeds with the Proposed Acquisition, AirAsia expects that these aircraft would be delivered over a period of several years, commencing as early as January 2006 (please refer to Section 7.15 "*Business – Fleet – Future Plans*").

The Group's strategy is to target markets within a three-and-a-half hour flight time from its hubs. This strategy gives it access to Southeast Asia's population of approximately 500 million people. AirAsia believes that the growing population in Malaysia (approximately 24 million people), Thailand (approximately 62 million people) and Indonesia (approximately 212 million people) provides an attractive market for the Group to stimulate air travel among a population that previously could not afford to travel by air or lives in areas not serviced by other airlines.

AirAsia's cost per ASK of RM0.094 (U.S.\$0.025), for the year ended June 30, 2004, was among the lowest globally. AirAsia's low costs, low fares, strong brand and marketing, reliable service and first mover advantage have enabled it to significantly expand its operations. AirAsia's passenger volumes grew by approximately 91.7% from approximately 1.5 million guests for the year ended June 30, 2003 to approximately 2.8 million guests for the year ended June 30, 2004. Thai AirAsia has been operational since February 2004 and has seen passenger volumes increase from approximately 49,000 guests for the month of February 2004 to approximately 100,500 guests for the month of June 2004.

AirAsia has also achieved strong growth in revenue from passenger seat sales since December 2001. Revenue from passenger seat sales increased by 122.9% from RM87.9 million for the 15-months ended June 30, 2002 to RM195.9 million for the year ended June 30, 2003 and continued to increase by 77.7% to RM348.0 million for the year ended June 30, 2004. Similarly, the Group's fleet size grew from three aircraft as at June 30, 2002 to seven aircraft as at June 30, 2003 and 17 aircraft as at 30 June 2004. As at the date of this Prospectus, the Group's fleet size had increased to 24 aircraft. AirAsia also achieved strong EBITDAR margins of 28.7% and 29.8% for the years ended June 30, 2003 and 2004, respectively.

3. SUMMARY (Cont'd)

AirAsia has been able to achieve this success during an extraordinarily difficult period for the airline industry caused by, among other things, the adverse effects of terrorist attacks, the wars in Afghanistan and Iraq, severe acute respiratory syndrome ("SARS") and rising fuel prices and insurance premiums. Its success is also notable given that since its inception, AirAsia has competed against a strong incumbent operator with significantly greater financial resources.

Through Thai AirAsia, a low-cost carrier operated as a joint venture with Shin Corporation, AirAsia operates domestically and internationally out of Thailand. As a result of the encouraging performance of Thai AirAsia to date and the favorable indications of interest generated in other regional markets, AirAsia plans to pursue opportunities to selectively implement its joint venture business model in other regional markets and develop the Group into a carrier serving some of Asia's most attractive domestic and international markets. For example, AirAsia is considering launching a joint venture in Indonesia (Please refer to Section 7.7.2 "*Business – Route Network – Future Plans*").

AirAsia has an experienced and dynamic senior management team. Most of its senior management team has been with the Company since it commenced operations as a low-cost carrier in January 2002. AirAsia is led by Tony Fernandes, its Group Chief Executive Officer, whose experience includes a successful career in the music industry (most recently as Vice President, ASEAN at Warner Music South East Asia). Conor Mc Carthy, a non-executive Director of the Company and the former Director of Group Operations of Ryanair, has also been integral to AirAsia's success. In addition, AirAsia's senior management team includes several personnel with extensive experience in the Malaysian and international airline industry.

To achieve AirAsia's plans, its senior management has formulated several strategies, the principal components of which are to stimulate demand by offering low fares, further expand the Group's operations within Asia and increase frequencies on the Group's most profitable routes, continue to minimize the Group's operating costs, invest in and enhance AirAsia's brand, continue to focus on customer service and optimize and develop new revenue streams. The Initial Public Offering is intended to further strengthen the Group's financial position. As it expands its operations, the Group will seek to minimize costs by leveraging its economies of scale to negotiate better terms with its suppliers and with the airports at which it operates.

3.2 Competitive Strengths

AirAsia believes that the Group's key business strengths are as follows:

Low cost operations

For the year ended June 30, 2004, AirAsia's cost per ASK of (RM0.094 (U.S.\$0.025)) was among the lowest globally. AirAsia has achieved significant cost reductions through the following:

- **Single-class, no frills service.** The Group operates a single-class service with no amenities such as complimentary in-flight meals and entertainment, loyalty programs and airport lounges. The AirAsia's seating configuration maximizes seating capacity by fitting 148 seats in its Boeing 737-300 aircraft (compared to the passenger seat capacity of 132 for typical Boeing 737-300 aircraft with a two-class configuration).
- **High aircraft utilization and efficient operations.** The Group uses its aircraft and staff efficiently. In general, the Group is able to make more round trips per aircraft per day because it operates point-to-point services and maintains low turnaround times. The Group streamlines administrative functions by hiring employees who are able to perform various roles.
- **Low fixed costs.** AirAsia has negotiated lower lease charges for the Group's aircraft, lower rates for long-term maintenance contracts and lower airport fees. AirAsia's high safety and maintenance standards have allowed it to procure favorable rates on its insurance policies.

3. SUMMARY (Cont'd)

- **Low distribution costs.** To encourage more Internet bookings, the Group offers its lowest fares through the Internet. Bookings on the Internet have increased from 5% of reservations made when online reservations first became available in May 2002 to approximately 50% in August 2004. AirAsia employs a fully ticketless system, which saves administrative costs and related expenses.
- **Single aircraft type.** Operating a fleet of similar aircraft leads to increased cost savings through simplifying maintenance and reducing spare parts inventory requirements. In the event AirAsia proceeds with the Proposed Acquisition and acquires additional aircraft of a different type than the Boeing 737-300, AirAsia expects that such aircraft would be delivered over a period of several years, commencing as early as January 2006 and the Group's entire fleet would gradually shift to the new aircraft type.
- **Maximizing the benefits of regional media coverage.** Because AirAsia has successfully implemented the low-cost carrier model in Southeast Asia, it receives regular coverage from regional media outlets. AirAsia utilizes such opportunities to promote and increase its brand awareness without incurring additional sales and marketing expenses.

Proven business model and profitable operations

AirAsia adopted the low-cost carrier model in January 2002, and achieved a net profit by the year ended June 30, 2003, despite limited operations and financial resources.

AirAsia has used its experience and expertise in Malaysia to expand into Thailand through Thai AirAsia's operations. Management believes that the proven business model employed in Malaysia and Thailand can be replicated in other countries. Because of its Asian management, strong performance and brand recognition, AirAsia believes that it is better positioned to form joint ventures in other locations within Southeast Asia compared to other established low-cost carriers based outside Asia.

Ability to penetrate and stimulate a large potential market

The Group targets the region in Southeast Asia within a three-and-a-half hour flight time from AirAsia's current hubs at KLIA and Senai, and Thai AirAsia's hub at DMA. This market encompasses a population of approximately 500 million people. Only a small percentage of this market regularly travels by air. AirAsia believes that certain segments of this market have been under-served historically and that the Group's low fares stimulate travel within these market segments. For the years ended June 30, 2003 and 2004, AirAsia's passenger volumes were 1.5 million guests and 2.8 million guests, respectively. According to S-A-P, AirAsia's share of domestic departing passenger movements for airports in Malaysia increased from 10.1% for the year ended December 31, 2002, to 17.1% for the year ended December 31, 2003, and to 23.1% for the six months ended June 30, 2004.

High maintenance and safety standards

The Group's commitment to safety is a priority of the Company and its management. The Group's fleet is maintained in accordance with a program prescribed by Boeing, the manufacturer of AirAsia's aircraft. Since it began operations in 1996, none of the Group's aircraft have been involved in any major accident involving personal injury to its guests and employees, terrorist incident or other disaster.

Dynamic brand

AirAsia believes that it has established a dynamic and popular brand. The brand is positioned to project the image of a safe, reliable, low-cost airline that places a high emphasis on customer service while providing an enjoyable flying experience. The AirAsia brand is well-recognized, particularly in Malaysia, Thailand, and Singapore, and was awarded Superbrand status in Malaysia by Superbrands International.

3. SUMMARY (Cont'd)

Proven management team

Most of the Company's current senior management team has been together since the Company commenced operations as a low-cost carrier in January 2002. The senior management team and Board of Directors have demonstrated their capabilities by turning around a loss-making, full-service airline into a profitable and respected regional low-cost carrier within a period of 18 months during an extraordinarily difficult period for the airline services industry. As a testament to the management's success, AirAsia was named the "Asia Pacific Airline of the Year" in 2003 by the Center for Asia Pacific Aviation.

Distinctive corporate culture

The Group prides itself on building a strong, team-focused corporate culture. The Group's employees understand and subscribe to the Group's core strategy and actively focus on maintaining low costs and high productivity. The Group's management encourages open communication, which creates a dynamic working environment. Management believes that the Group's corporate culture is as strong today with over 1,800 employees in Malaysia and Thailand as it was with 322 employees in June 2002.

IPO enhances AirAsia's financial strength

As at June 30, 2004, AirAsia's cash and cash equivalents stood at RM58.6 million. The Initial Public Offering is intended to further strengthen AirAsia's financial position without compromising on AirAsia's focus on low costs and high productivity. AirAsia's increased financial strength is also expected to place the Group in a better position to address challenges from competition, pursue its growth strategy and withstand business fluctuations.

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3. SUMMARY (Cont'd)

3.3 Strategy

AirAsia's goal is to establish itself as a leading low-cost carrier in Asia. The principal components of AirAsia's strategy are as follows:

Stimulate Demand by Offering Low Fares

AirAsia's goal is to tap into Southeast Asia's growing population and geographic conditions and attract a broad range of guests. AirAsia believes that the Group's success in attracting guests and building customer loyalty will be determined primarily by its ability to consistently offer low fares. Consequently, the Group intends to continue to offer fares that are on average substantially lower than the published fares of its full-service competitors.

Expand within Asia

The Group intends to use its hubs as platforms to operate high-volume, short-haul routes to cities within a three-and-a-half hour flight time. The Group focuses on routes that are under-served or not served by other airlines. The Group intends to launch flights to new destinations within Malaysia, Thailand, Indonesia and other countries in Southeast Asia and China by June 2005. The Group also intends to apply its existing low-cost carrier model employed in Malaysia and Thailand to offer domestic and international air travel services in other Asian markets such as Indonesia by identifying suitable local partners and forming joint ventures (Please refer to Section 7.7.2 "Business – Route Network – Future Plans").

Increase Flight Frequencies

The Group intends to increase flight frequencies in its established markets as well as markets with expected high growth potential. AirAsia believes that increasing flight frequencies is important to guests who choose airlines based on low fares and scheduling convenience.

Continue to Minimize Operating Costs

The Group seeks sustainable efficiency improvements and cost savings through the following means:

- The Group encourages guests to make flight reservations through the Internet;
- Aircraft maintenance services, ground handling and ground support services at airports in Indonesia, Macau and Singapore are provided by third parties through a competitive bidding process or on a negotiated basis; and
- The Group intends to strictly adhere to its low-cost carrier model by not offering any frills such as complimentary in-flight meals, in-flight entertainment, loyalty programs, lounges or multiple classes of service. The Group intends to leverage its economies of scale to reduce its per unit cost and negotiate better terms with its suppliers and the airports at which it operates.

Invest in and Enhance AirAsia's Brand

AirAsia believes that its ability to generate publicity as well as its marketing and public relations activities have been successful in establishing a high level of brand awareness. AirAsia intends to continue to develop the AirAsia brand in the region, particularly in Malaysia, Thailand, Indonesia and Singapore as well as the new markets it intends to serve such as China. AirAsia will continue to refine its branding strategy to increase its customer base while entering new markets.

Continued Focus on Customer Service

The Group emphasizes high-quality, friendly and personal service, despite its low fares and low-cost carrier model. All employees are selected, trained and encouraged to provide services consistent with

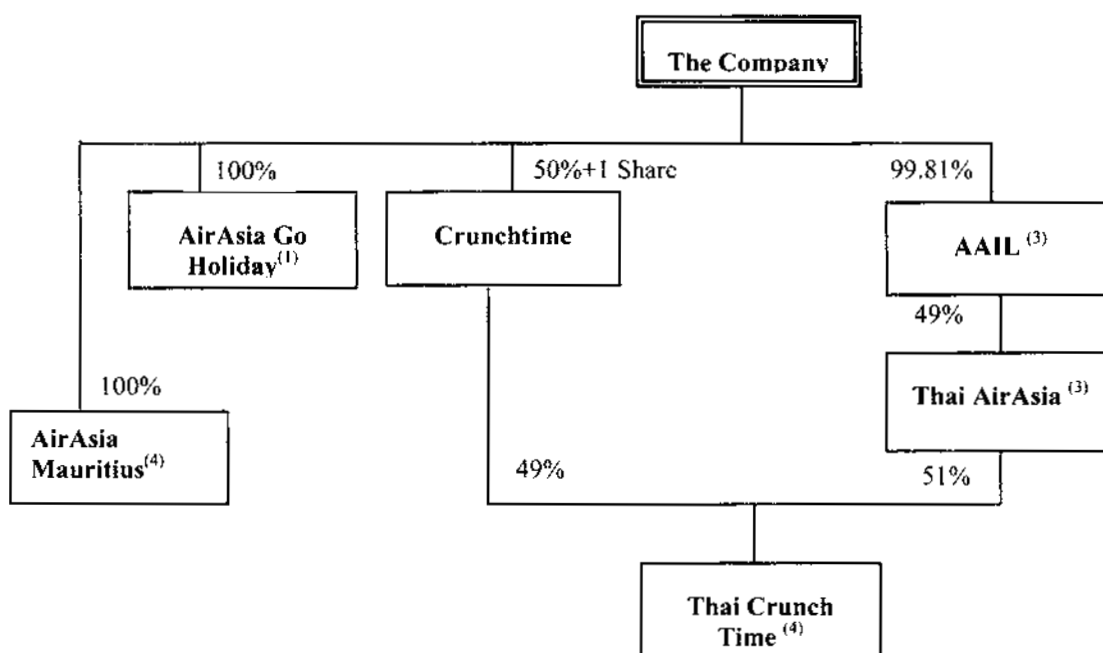
3. SUMMARY (Cont'd)

the Group's goals. The Group is committed to improving the quality of its services through initiatives to speed up reservations and check-in, improve baggage handling services and provide rapid and effective responses to guest feedback. The Group will continue to consider ways to make its guests experience more enjoyable and convenient.

Optimize Revenue and Develop New Revenue Streams

The Group uses a revenue management system to optimize revenue from passenger seat sales. This system allows the Group to optimize its revenue from passenger seat sales while still offering fares that are on average lower than its competitors on the same routes. AirAsia intends to expand its ancillary revenue base and capitalize on its strong brand by increasing the revenue it derives from other sources, especially freight services and charter services.

The following chart shows the corporate structure and principal operating companies of the Group as at the date of this Prospectus:



Notes:

- (1) Operating company for "Go Holiday" and "Get A Room"
- (2) Effective July 1 2004, the Company will equity account for Thai AirAsia's results (Please refer to Section 13.2.7 "Management's discussion and analysis of financial condition and results of operations – Results of Significant Associate").
- (3) Thai Crunch Time is effectively 49.4% owned by the Company
- (4) Leasing entity

The AirAsia Group also consists of AirAsia HK, AAPL and Thai AirAsia HK (please refer to Section 11 "Information on AirAsia Group").

Please refer to Section 11.1 of this Prospectus for a description of the principal activities of the above companies.

3. SUMMARY (Cont'd)

3.4 Risk Factors

Prior to making an investment in the Shares, prospective investors should carefully consider the following risks, summarised from Section 5 of this Prospectus (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus:

3.4.1 Risks Relating to the Group

- Increased competition in the airline industry along with competition from other forms of transportation and communication could materially and adversely affect the Group
- The Group may not be successful in implementing its growth strategy
- The Group could be materially and adversely affected in the event of an accident or incident involving its aircraft
- The Group could be materially and adversely affected by the unavailability of sufficient quantities or cost of fuel
- AirAsia's maintenance costs will increase as its fleet ages
- The Group's business is dependent on the Malaysia and Thailand markets and a reduction in demand for air travel in these markets may have a material adverse effect on the Group
- The Group could be materially and adversely affected by a change in the availability or cost of airport facilities
- The Group relies on a high daily aircraft utilization rate to optimize its revenue, making it especially vulnerable to delays
- The Group relies on automated systems and the Internet to operate its business and any failure of these systems may have a material adverse effect on the Group
- Any real or perceived problem with Boeing 737-300 aircraft and CFM56-3 engines, including their unavailability, or any decision to operate a new aircraft type or engine type, could have a material adverse effect on the Group
- The Group has a limited operating history as a low-cost carrier and it may be difficult to evaluate an investment in the Shares
- The Group relies on third parties to provide its customers with facilities and services that are integral to its international business
- The Group depends on the efforts of its executive officers and other key management
- Any difficulties that the Group may experience in attracting and retaining qualified personnel at reasonable costs or any failure to maintain the Group's corporate culture may have a material adverse effect on it
- Control by principal shareholder
- The Group may incur a significant amount of debt in the future to finance the acquisition of aircraft, capital expenditure or its expansion plans
- The Group is exposed to certain risks against which it does not insure, and may have difficulty obtaining insurance on commercially acceptable terms or at all

3. SUMMARY (Cont'd)

- If the Group is unable to obtain regulatory approvals in the future, it will not be able to operate a scheduled airline
- There are relatively low regulatory barriers to entry to the Thai domestic aviation industry
- The Group may be adversely affected by factors beyond its control, including weather conditions
- Failure to maintain its international operating rights would have a material adverse effect on the Group
- The Group may be unable to adequately protect its intellectual property rights or may face intellectual property rights claims that may be costly to resolve or may limit its ability to exploit its intellectual property rights in the future
- The Group's passenger load factors are subject to seasonality

3.4.2 Risks Relating to the Airline Industry

- The airline industry tends to experience adverse financial results during general economic downturns
- Terrorist attacks have adversely affected the airline industry and may have a material adverse effect on the airline industry in the future
- The airline industry is characterized by high fixed costs

3.4.3 Risks Relating to Southeast Asia

- The Group's operations are concentrated in Southeast Asia, and therefore any downturn in general economic conditions in Southeast Asia could have a material adverse impact on the Group
- The Group may be adversely impacted by volatility in social and political conditions in certain Asian countries where it conducts operations
- Fluctuations in exchange rates may have a material adverse effect on the Group's business

3.4.4 Risks Relating to the Shares

- There has been no prior market for the Shares and a market for the Shares may not develop
- The Company may not be able to pay dividends to its shareholders
- The Company is required to comply with restrictions on foreign ownership of its Shares, which may affect the voting rights, liquidity and market price of the Shares
- The market price of the Shares may be volatile, which could cause the value of investors' investment in the Company to decline
- Investors in the Initial Public Offering will suffer immediate dilution in NTA
- The sale or the possible sale of a substantial number of the Shares in the public market following this Initial Public Offering could adversely affect the price of the Shares
- There may be a delay or failure in trading of the Shares

3. SUMMARY *(Cont'd)*

3.4.5 Other Risks

- The Company's actual results may vary significantly from the profit forecast set forth herein
- Forward looking statements

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3. SUMMARY (Cont'd)

3.5 Ownership and Management

Set out below is the information summary on shareholdings of the Promoters, substantial shareholders, Directors, key management and key technical personnel immediately after giving effect to the issue of 583,757,800 Issue Shares, the sale of 116,751,600 Offer Shares and assuming no exercise of the Options. The information summary is extracted from and should be read in conjunction with the detailed information set out in Section 10 of this Prospectus.

3.5.1 Shareholdings of the Promoters and Substantial Shareholders

The direct and indirect shareholding interests of the Promoters and the substantial shareholders in the Company after the completion of the Initial Public Offering (assuming full subscription of the Issue Shares reserved for them under the Pink Form Tranche but before the exercise of the Options, which is applicable to substantial shareholders who are also Directors of the Company) will be as follows:

Promoter and Substantial Shareholder	<-----Before the Initial Public Offering----->				<-----After the Initial Public Offering----->			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%
Tune Air	1,131,673,080	64.6	-	-	1,045,344,650	44.8	-	-
IDBIF	122,589,130	7.0	-	-	110,887,910	4.7	-	-
CAAL	157,614,590	9.0	-	-	147,083,490	6.3	-	-
DCL	96,320,030	5.5	-	-	88,129,180	3.8	-	-
Anthony Francis Fernandes	10	-*	1,131,673,080 ¹	64.6	100,010	-*	1,045,344,650 ¹	44.8
Kamarudin Bin Meranun	-	-	1,131,673,080 ¹	64.6	100,000	-*	1,045,344,650 ¹	44.8
Raja Mohd Azmi Bin Raja Razali	113,832,770	6.5	-	-	113,892,770	4.9	-	-
IDB Infrastructure Fund L.P.	-	-	122,589,130 ²	7.0	-	-	110,887,910 ²	4.7
Crescent Control Company Ltd	-	-	157,614,590 ³	9.0	-	-	147,083,490 ³	6.3
Sami Ali A. Sindi	-	-	236,421,890 ⁴	13.5	100,000	-*	225,890,790 ⁴	9.7
Maples Finance Limited	-	-	96,320,030 ⁵	5.5	-	-	88,129,180 ⁵	3.8
Calamp (No. 2) Limited	-	-	96,320,030 ⁶	5.5	-	-	88,129,180 ⁶	3.8
Maples & Calder	-	-	96,320,030 ⁷	5.5	-	-	88,129,180 ⁷	3.8

3. SUMMARY (Cont'd)

Notes:

- * Negligible.
- 1 Deemed interested by virtue of Section 6A of the Act, through a shareholding of more than 15% in Tune Air.
- 2 Deemed interested by virtue of Section 6A of the Act, as IDB Infrastructure Fund L.P. wholly owns IDBIF.
- 3 Deemed interested by virtue of Section 6A of the Act, as Crescent Control Company Ltd has 100% of the voting rights in CAAL.
- 4 Deemed interested by virtue of Section 6A of the Act, as Sami Ali A. Sindi wholly owns Crescent Control Company Ltd, which in turn has 100% of the voting rights in CAAL and Sami Ali A. Sindi wholly owns Crescent Venture Partners, Ltd, which in turn has 100% of the voting rights in CAAL II. CAAL II holds an interest of 78,807,300 Shares in the Company.
- 5 Deemed interested by virtue of Section 6A of the Act, as Maples Finance Limited wholly owns DCL. Maples Finance Limited is the trustee of an express charitable trust holding 100% of DCL.
- 6 Deemed interested by virtue of Section 6A of the Act, as Calamp (No. 2) Limited wholly owns Maples Finance Limited, which in turn wholly owns DCL. However, Calamp (No. 2) Limited does not have any economic or beneficial interest over such Shares as such interest is held subject to the terms of the declaration of trust for charitable purposes as referred to in note 5 above.
- 7 Deemed interested by virtue of Section 6A of the Act, as Maples & Calder (a law firm in the Cayman Islands) wholly owns Calamp (No. 2) Limited, which in turn wholly owns Maples Finance Limited. However, Maples & Calder does not have any economic or beneficial interest over the Shares as such interest is held subject to the terms of the declaration of trust for charitable purposes as referred to in note 5 above.

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3. SUMMARY (Cont'd)

3.5.2 Shareholdings of the Directors

The direct and indirect shareholding interests of the Directors of the Company after the completion of the Initial Public Offering (assuming full subscription of the Issue Shares reserved for them under the Pink Form Tranche but before the exercise of the Options) will be as follows:

Director	Before the Initial Public Offering				After the Initial Public Offering			
	<---Direct--->		<---Indirect--->		<---Direct--->		<---Indirect--->	
	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%
Dato' Pahamin Bin Ab Rajab	10	-*	-	-	100,010	-*	-	-
Anthony Francis Fernandes	10	-*	1,131,673,080 ¹	64.6	100,010	-*	1,045,344,650 ¹	44.8
Kamarudin Bin Meranun	-	-	1,131,673,080 ¹	64.6	100,000	-*	1,045,344,650 ¹	44.8
Sami Ali A. Sindi	-	-	236,421,890 ²	13.5	100,000	-*	225,890,790 ²	9.7
Mumtaz Khan	-	-	-	-	100,000	-*	-	-
John Francis Tierney	-	-	-	-	100,000	-*	-	-
Conor Mc Carthy	-	-	-	-	100,000	-*	-	-
Tan Sri Dato' (Dr) R. V. Navaratnam	-	-	-	-	100,000	-*	-	-
Datuk Leong Sonny @ Leong Khee Seong	-	-	-	-	100,000	-	-	-
Fam Lee Ee	-	-	-	-	100,000	-*	-	-
Abdel Aziz @ Abdul Aziz Bin Abu Bakar	-	-	-	-	100,000	-*	-	-
Richard Todd Scanlon	-	-	-	-	100,000	-*	-	-
Adceb Ahmed	-	-	-	-	100,000	-*	-	-
Brian Douglas Courtney	-	-	-	-	100,000	-*	-	-

Notes:

* Negligible.

¹ Deemed interested by virtue of Section 6A of the Act, through a shareholding of more than 15% in Tune Air.

² Deemed interested by virtue of Section 6A of the Act, as Sami Ali A. Sindi wholly owns Crescent Control Company Ltd, which in turn has 100% of the voting rights in CAAL and Sami Ali A. Sindi wholly owns Crescent Venture Partners, Ltd, which in turn has 100% of the voting rights in CAAL II. CAAL II holds an interest of 78,807,300 Shares in the Company.

3. SUMMARY (Cont'd)

3.5.3 Shareholdings of Key Management and Key Technical Personnel

The direct and indirect shareholding interests of the key management and key technical personnel of the Company after the completion of the Initial Public Offering (assuming full subscription of the Issue Shares reserved for them under the Pink Form Tranche but before the exercise of the Options) will be as follows:

Key Management and Key Technical Personnel	Designation	<-----Before the Initial Public Offering----->				<-----After the Initial Public Offering----->			
		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
		No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%
Anthony Francis Fernandes	Group Chief Executive Officer	10	-*	1,131,673,080 ¹	64.6	100,010	-*	1,045,344,650 ¹	44.8
Kamarudin Bin Meranun	Executive Director, Corporate Finance and Strategic Planning	-	-	1,131,673,080 ¹	64.6	100,000	-*	1,045,344,650 ¹	44.8
Raja Mohd Azmi Bin Raja Razali	Executive Vice President & Chief Financial Officer	113,832,770	6.5	-	-	113,892,770	4.9	-	-
Captain Chin Nyok San	Executive Vice President, International Operations	-	-	-	-	60,000	-*	-	-
Abdul Nasser Abu Kassim	Country Director, Indonesia	-	-	-	-	60,000	-*	-	-
Harridas Pillai a/l Chellapan	Executive Vice President, Corporate Quality	-	-	-	-	60,000	-*	-	-
Kathleen Tan Kim Lan	Executive Vice President, Greater China	-	-	-	-	60,000	-*	-	-
Hew Yoon Loong	Director, Guest Services	-	-	-	-	60,000	-*	-	-
Wan Hasmar Azim Bin Wan Hassan	Director, Engineering	-	-	-	-	60,000	-*	-	-
Captain Nazli Shah Mohammad Sany	Director, Flight Operations	-	-	-	-	60,000	-*	-	-

3. SUMMARY (Cont'd)

Key Management and Key Technical Personnel	Designation	<-----Before the Initial Public Offering----->				<-----After the Initial Public Offering----->			
		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
		No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%	No. of Shares over which interest subsists	%
Bernard Francis	Regional Director, Revenue	-	-	-	-	60,000	-*	-	-
Joyce Lai Lih Yin	Regional Director, Marketing and Communications	-	-	-	-	60,000	-*	-	-
Tan Hock Soon	Regional Director, Distribution	-	-	-	-	60,000	-*	-	-
Lau Kin Choy	Regional Director Information Technology	-	-	-	-	60,000	-*	-	-
Wong Mee Yen	Financial Controller	-	-	-	-	60,000	-*	-	-
Ashok Kumar	Regional Director, Government and Business Relations	-	-	-	-	52,500	-*	-	-
Charles Chow Chon Jin	Director, Legal and Corporate Services	-	-	-	-	52,500	-*	-	-
Azida Zainal Anuar	Director, People & Training Department	-	-	-	-	60,000	-*	-	-

Notes:

* Negligible

/ Deemed interested by virtue of Section 6A of the Act, through a shareholding of more than 15% in Tune Air.

Save as disclosed above, there are no Directors or senior management of the Company who own any Shares and there are no shareholders who own 5% or more of the Company's issued and outstanding ordinary shares or who are entitled to exercise or control the exercise of not less than 15% of the votes attached to the voting shares of a substantial shareholder which is a corporation.

3. SUMMARY (Cont'd)

3.6 Initial Public Offering

The Initial Public Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions as set out in Section 4.6 of this Prospectus:

- *Retail Offering at the Retail Price of RM1.40 per Share, payable in full upon application and subject to refund in the event that the Final Retail Price is less than RM1.40 per Share.*
 - (a) 23,350,300 Shares, representing approximately 1% of the enlarged issued share capital of the Company (before conversion of Options), are available for application by eligible directors and employees of AirAsia and persons who have contributed to the success of AirAsia; and
 - (b) 116,751,600 Shares, representing approximately 5% of the enlarged issued share capital of the Company (before conversion of Options), are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, co-operatives, societies and institutions.

Any Shares not subscribed for under paragraph (a) above will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, co-operatives, societies and institutions.

Salient terms of the underwriting for the Retail Offering are set out in Section 16 of this Prospectus.

- *Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding*

560,407,500 Shares, representing approximately 24% of the enlarged issued share capital of the Company (before conversion of Options) are being offered to (i) Malaysian institutional and selected investors; (ii) QIBs in the U.S in reliance on Rule 144A; and (iii) in transactions outside the U.S in reliance on Regulation S.

The completion of the Retail Offering and Institutional Offering are inter-conditional. There is no minimum subscription amount to be raised from the IPO.

If the Retail Offering and the Institutional Offering are not completed, monies paid in respect of all application for Shares will be returned without interest and if such monies are not returned within 14 days after the Company becomes liable to do so, then the officers of the Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period (please refer to Section 5.4.7 "Risk Factors – Risks Relating to the Shares – There may be a delay or failure in trading of the Shares").

There is only one class of shares in the Company, being ordinary shares of nominal value of RM0.10 each.

As at the date of this Prospectus, the authorized share capital of the Company consists of 5,000,000,000 Shares. The issued and paid-up share capital of the Company consists of 1,751,273,280 Shares. Upon completion of the IPO, the total issued and paid-up share capital of the Company will consist of 2,335,031,080 Shares.

For further details on the Initial Public Offering, refer to Section 4 of this Prospectus.

3. SUMMARY (Cont'd)

3.7 Estimated Expenses of the Initial Public Offering

The expenses of this Initial Public Offering are estimated to be RM35.5 million, of which RM22.5 million are estimated commissions and other fees payable to the Joint Managing Underwriters, Joint Bookrunners and other underwriters for the Institutional Offering, RM0.6 million are estimated fees payable to authorities and MIH, RM10 million are estimated professional fees and the remaining RM2.4 million are other fees and expenses such as printing, advertising and traveling expenses incurred in connection with the Initial Public Offering.

For further details on the estimated expenses of the Initial Public Offering, refer to Sections 4.10 and 19.5 of this Prospectus.

3.8 Salient Terms of the Key Licenses

The following licenses have been issued to the Company and its subsidiary and associated companies:

Company	Relevant Legislation	Date of commencement of license	Licenses	Expiry Date
AirAsia Berhad	Civil Aviation Act 1969	29.09.2004	AOC	28.09.2005
AirAsia Berhad	Civil Aviation Act 1969	01.04.2004	ASL	31.03.2009
Thai AirAsia	Air Navigation Act B.E. 2497	14.09.2004	AOC	Valid as long as the certificate holder conducts flight operations in accordance with its company operations manual
Thai AirAsia	Granted by department of Civil Aviation / Ministry of Transport and Communications	06.11.2003	ASL	05.11.2008

For details of the conditions attached to the above licenses issued to the Company please refer to Section 9 of this Prospectus.

In addition, on September 10, 2004, the Ministry of Tourism Malaysia approved a license to AirAsia Go Holiday to undertake tour operations (inbound and outbound) and travel agency (ticketing) businesses. For further details of the approval and conditions thereof, please refer to Section 11.2.2(i) "*Information on AirAsia Go Holiday –History and business*".

AirAsia has otherwise complied with the conditions of all licenses, regulatory approvals and permits applicable to it.

3. SUMMARY (Cont'd)

3.9 Intellectual Property

AirAsia has applied for the registration of the “AirAsia”, “AirAsia.com”, “GoHoliday”, “Now Everyone Can Fly”, “AirAsia GoCorporate” and “Snack Attack” trademarks in several countries, including India, China, Indonesia, Malaysia, Singapore, Thailand and Taiwan. The “AirAsia” and “AirAsia.com” trademarks have been registered in Hong Kong, Brunei Darussalam, Cambodia and Singapore. AirAsia has further applied for the registration of the “AirAsia GoInsure” trademark in several countries, including Malaysia, Indonesia, Singapore and Brunei Darussalam.

3.10 Information Technology

AirAsia invests in information technology where its use directly lower costs, enables scalable operations and improves efficiency. Its key operating software systems include OpenSkies by Navitaire for inventory and sales management, Microsoft's Axapta Financial Management (“Axapta”), the Geneva Optimum Airline Performance (“OAP”) software for flight scheduling and crew rostering, and ASPrecise's Engineering Software Solution (“ESS”) for the management of aircraft maintenance engineering and logistics. AirAsia subscribes for Axapta, OAP and ESS on an annual basis so as not to commit to these software should they become obsolete.

For further details on AirAsia's information technology, please refer to Section 7.19 “Business – Information Technology”.

3.11 Summary of Selected Financial and Other Data

The following tables present selected consolidated financial and other data of the Company as at and for the two years ended March 31, 2001, the 15 months ended June 30, 2002, and the two years ended June 30, 2004. This data should be read in conjunction with (i) the audited consolidated financial statements of the Company and the related notes thereto; (ii) the notes and bases for the preparation of the Company's proforma consolidated income statements as included in the Accountants' Report set out in Section 20 of this Prospectus; (iii) Section 13 of this Prospectus “*Management's Discussion and Analysis of Financial Condition and Results of Operations*”; and (iv) other historical financial and operating data which are included elsewhere in this Prospectus.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Income Statement Data:

	For the year ended March 31,		For the 15 months ended June 30,	For the year ended June 30,	
	2000	2001	2002 ⁽¹⁾	2003	2004
	(RM thousands)				
Revenue	149,285	167,749	217,421	330,040	392,690
Cost of sales	(171,994)	(176,463)	(208,147)	(288,490)	(279,119)
Gross (loss)/profit	(22,709)	(8,714)	9,274	41,550	113,571
Sales and marketing expenses	(640)	(409)	(1,499)	(4,361)	(9,411)
Administration expenses	(2,862)	(3,523)	(7,936)	(23,061)	(34,351)
Other operating expenses	(2,573)	(2,048)	(1,445)	(3,758)	(13,054)
Other operating income	566	136	307	1,175	4,563

3. SUMMARY (Cont'd)

	For the year ended March 31,		For the 15 months ended June 30,	For the year ended June 30,	
	2000	2001	2002 ⁽¹⁾	2003	2004
	(RM thousands)				
(Loss)/profit from operations	(28,218)	(14,558)	(1,299)	11,545	61,318
Finance costs	(3,075)	(4,559)	(308)	(84)	(3,131)
Share of losses of an associated company	-	-	-	-	(116)
(Loss)/profit before taxation	(31,293)	(19,117)	(1,607)	11,461	58,071
Taxation	(35)	(21)	(56)	7,375	(9,052)
(Loss)/profit after taxation	(31,328)	(19,138)	(1,663)	18,836	49,019
Minority interests	-	-	-	2	48
(Loss)/profit attributable to shareholders	(31,328)	(19,138)	(1,663)	18,838	49,067
Weighted average number of shares in issue					
Basic (in thousands)	52,070	52,070	52,070	52,070	76,338
Diluted (in thousands) ⁽²⁾	52,070	52,070	58,354	161,286	174,483
(Loss)/earnings per share (sen)					
Basic	(60.2)	(36.8)	(3.2)	36.2	64.3
Diluted	(60.2)	(36.8)	(2.8)	11.7	28.1

Notes:

- (1) In 2002, the Company changed its financial year-end from March 31 to June 30 to coincide with the financial year end of Tune Air.
- (2) The weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.
- (3) There is no extraordinary item or exceptional item reported by the Company during the financial years and period under review.
- (4) The Company has not declared or paid any dividends since its inception.

Other Financial Data and Ratios:

	For the year ended March 31,		For the 15 months ended June 30,	For the year ended June 30,	
	2000	2001	2002 ⁽¹⁾	2003	2004
	(RM thousands)				
EBITDAR ⁽²⁾	41,299	58,921	75,316	94,790	117,031
EBIT ⁽³⁾	(28,218)	(14,558)	(1,299)	11,545	61,318

Notes:

- (1) In 2002, the Company changed its financial year-end from March 31 to June 30 to coincide with the financial year end of Tune Air.
- (2) Earnings before interest, taxation, depreciation, amortization and aircraft operating lease expenses. AirAsia believes that EBITDAR provides useful information but should not be considered as an indication of, or as an alternative to, profit attributable to shareholders or as an alternative to cash flow as a measure of liquidity. Other companies may calculate EBITDAR in a different manner than AirAsia.
- (3) Earnings before interest and taxation. AirAsia believes that EBIT provides useful information but should not be considered as an indication of, or as an alternative to, profit attributable to shareholders or as an alternative to cash flow as a measure of liquidity. Other companies may calculate EBIT in a different manner than AirAsia.

3. SUMMARY (Cont'd)**3.12 Proforma Consolidated Balance Sheets of the Company**

The proforma consolidated balance sheets of the Company as at June 30, 2004 set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated balance sheets of the Company as at June 30, 2004, on the assumption that certain events had been effected on that date and should be read in conjunction with the accompanying notes and assumptions to the Proforma Consolidated Balance Sheets as set out in Section 21 of this Prospectus.

	Audited Balance Sheet as at 30.6.2004 RM'000	Proforma I After Acquisition of AAIL RM'000	Proforma II After the Company's Acquisition of AirAsia Mauritius Limited and AirAsia Go Holiday RM'000	Proforma III After Proforma II Share Split RM'000	Proforma IV After Proforma III Completion of the Initial Public Offering RM'000	Proforma V After Proforma IV Exercise of Options granted pursuant to the F.SOS* RM'000
NON CURRENT ASSETS						
Property, plant and equipment	158,456	158,456	158,456	158,456	258,456	258,456
Other investments	108	108	108	108	108	108
Investment in associates	86	10,972	10,972	10,972	10,972	10,972
Goodwill	0	8,502	8,502	8,502	8,502	8,502
Deferred expenditure	4,369	4,369	4,369	4,369	4,369	4,369
	<u>163,019</u>	<u>182,407</u>	<u>182,407</u>	<u>182,407</u>	<u>282,407</u>	<u>282,407</u>
Current assets						
Less: Current liabilities	<u>186,984</u>	<u>168,418</u>	<u>168,418</u>	<u>168,418</u>	<u>801,474</u>	<u>902,173</u>
	<u>(150,643)</u>	<u>(151,442)</u>	<u>(151,442)</u>	<u>(151,442)</u>	<u>(103,714)</u>	<u>(103,714)</u>
NET CURRENT ASSETS	<u>36,341</u>	<u>16,976</u>	<u>16,976</u>	<u>16,976</u>	<u>697,760</u>	<u>798,459</u>
LESS: NON CURRENT LIABILITIES						
Deferred tax liabilities	1,113	1,113	1,113	1,113	1,113	1,113
Hire purchase payables	239	239	239	239	239	239
Borrowings	47,728	47,728	47,728	47,728	0	0
	<u>49,080</u>	<u>49,080</u>	<u>49,080</u>	<u>49,080</u>	<u>1,352</u>	<u>1,352</u>
	<u>150,280</u>	<u>150,303</u>	<u>150,303</u>	<u>150,303</u>	<u>978,815</u>	<u>1,079,514</u>

3. SUMMARY (Cont'd)

	Audited Balance Sheet as at 30.6.2004 RM'000	Proforma I After Acquisition of AAIL RM'000	Proforma II After Proforma I and the Company's Acquisition of AirAsia Mauritius Limited and AirAsia Go Holiday RM'000	Proforma III After Proforma II and Share Split RM'000	Proforma IV After Proforma III Completion of the Initial Public Offering RM'000	Proforma V After Proforma IV and Exercise of Options granted pursuant to the ESOS* RM'000
CAPITAL AND RESERVES						
Share capital	175,127	175,127	175,127	175,127	233,503	242,827
Share premium	65,959	65,959	65,959	65,959	836,095	927,470
Accumulated losses	(90,806)	(90,806)	(90,806)	(90,806)	(90,806)	(90,806)
SHAREHOLDERS' EQUITY	150,280	150,280	150,280	150,280	978,792	1,079,491
MINORITY INTEREST	0	23	23	23	23	23
Net tangible assets ("NTA")	150,280	150,303	150,303	150,303	978,815	1,079,514
NTA per ordinary share (RM)	150,280	141,801	141,801	141,801	970,313	1,071,012
- RM1.00 nominal value	0.86	0.81	0.81			
- RM0.10 nominal value				0.08	0.42	0.44
Number of ordinary shares ('000)	175,127	175,127	175,127	1,751,270	2,335,028	2,428,268
- RM1.00 nominal value						
- RM0.10 nominal value						

* Proforma V incorporates the effects of the Company's offer of 93,240,000 Options, representing approximately 4% of the enlarged issued and paid-up share capital of the Company. On the assumption that the maximum number of the Options offered pursuant to the ESOS is 233,503,108, representing 10% of the enlarged issued and paid-up share capital of the Company, the NTA per ordinary share would be RM0.49, based on the exercise price of RM1.08 for the initial 4% and the assumed exercise price of RM1.40 for the subsequent 6%, respectively, of the enlarged issued and paid-up share capital of the Company.

3. SUMMARY (Cont'd)

3.13 Audit Matters

The audited financial statements of the Company were not subject to any audit qualification for the years ended March 31, 2000, 2001, for the 15-month period ended June 30, 2002, and the years ended June 30, 2003 and 2004. The audited financial statements of Crunchtime were not subject to any audit qualification for the financial period from October 16, 2002 (date of incorporation) to June 30, 2003 and for the year ended June 30, 2004.

3.14 Material Litigation

Neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the position and business of the Company or its subsidiaries.

3.15 Capitalization

The following table presents the audited consolidated capitalization of the Company as at June 30, 2004 and as adjusted to reflect the issue of the Issue Shares and the application of the proceeds thereof as described under Section 4.9 "Utilization of Proceeds". This table has been extracted from, and should be read in conjunction with, the financial statements and related notes appearing elsewhere in this Prospectus. Except as otherwise disclosed below and in Section 14 "Description of Material Indebtedness and Credit Facilities", there has been no material change in the current liabilities, long-term and deferred liabilities, capital and reserves, or total capitalization of the Company as at June 30, 2004.

	As at June 30, 2004 ⁽¹⁾	
	Actual	As adjusted ⁽²⁾
	(RM thousands) (audited)	(RM thousands) (unaudited)
Cash and cash equivalents	58,589	692,861
Short-term debt		
Revolving credits (interest bearing)	47,728	-
Total short-term debt	47,728	-
Long-term debt		
Long-term loans, net of current portion (interest bearing)	47,728	-
Total long-term debt	47,728	-
Capital and reserves	150,280	978,792
Total capitalization	187,147	285,931

Notes:

- (1) There are no warrants or convertible notes of the Company or its subsidiaries that are outstanding as at October 12, 2004.
- (2) RM1.2 million of the indebtedness will be repaid prior to the application of RM94.2 million of proceeds from the issue of the Issue Shares, which will result in the indebtedness being fully repaid.

For further information on the Company's principal terms of material indebtedness and credit facilities, please refer to Section 14 of this Prospectus.

3. SUMMARY (Cont'd)

3.16 Working capital

The Directors of the Company are of the opinion that after taking into account the cash flow forecasts, the banking facilities available and the proceeds to be raised from the Initial Public Offering, AirAsia will have adequate working capital for a period of 12 months from the date of this Prospectus.

Please refer to Section 13.8.2 of this Prospectus for further information on working capital.

3.17 Contractual Obligations and Commitments

As at September 30, 2004, AirAsia had the following commitments:

	As at September 30, 2004	Payable within one year	Payable after one year but within three years	Payable after three years but within five years	Payable after five years
			(RM thousands)		
Aircraft.....	19,980	19,980	-	-	-
Property, plant and equipment.....	9,780	9,780	-	-	-
Aircraft operating lease expenses.....	387,665	75,193	142,903	99,814	69,755
Total.....	<u>417,425</u>	<u>104,953</u>	<u>142,903</u>	<u>99,814</u>	<u>69,755</u>

For further information on material capital commitments, please refer to Section 13.10.1 of this Prospectus.

3.18 Contingent Liabilities

As at September 30, 2004, AirAsia had the following liabilities, which has not been provided for in AirAsia's audited consolidated accounts for the financial year ended June 30, 2004:

	RM millions
Liabilities for withholding tax.....	2.3

For further information on contingent liabilities, please refer to Section 13.10.2 of this Prospectus.

3.19 Utilization of Proceeds

None of the proceeds arising from the Offer for Sale will accrue to the Company as the proceeds will accrue entirely to the Selling Shareholders.

The gross proceeds to the Company arising from the issue of 583,757,800 Issue Shares at the Retail Price and the illustrative Institutional Price of RM1.40 and approximately RM1.51 per Issue Share respectively, will be used, during the period of 36 months after the date of this Prospectus, as set forth below:

	RM' 000
Repayment of bank borrowings	94,240
Capital expenditure	100,000
Estimated listing expenses	35,500
Working capital	634,272
Total gross proceeds	<u>864,012</u>

For further information on the utilization of proceeds, please refer to Section 4.9 of this Prospectus.

3. SUMMARY (Cont'd)

3.20 Consolidated Profit Forecast For the Financial Year Ending June 30, 2005

The Directors of the Company forecast that the consolidated profit after taxation and minority interest of the Company without and with the Initial Public Offering respectively, upon completion of the Company's Listing, for the financial year ending June 30, 2005, will be as follows:

	Year ending June 30, 2005	
	Without Initial Public Offering	With Initial Public Offering
	RM (thousands)	RM (thousands)
Revenue	746,596	746,596
Consolidated profit before taxation	157,030	172,804 ⁽¹⁾
Less: Taxation	(8,349)	(11,578) ⁽²⁾
Consolidated profit after taxation	148,681	161,226
Less: Minority interest.....	(1,344)	(1,344)
Consolidated profit after taxation and minority interest	147,337	159,882
Earnings per ordinary share of RM0.10 each ⁽³⁾		
- Basic (sen).....	8.41	7.47
- Diluted (sen).....	8.41	7.41
Prospective price-earnings multiples based on retail price of RM1.40 and		
- Basic earnings per ordinary share (times)	16.65	18.74
- Diluted earnings per ordinary share (times)	16.65	18.89

Notes:

- (1) Consolidated profit before taxation, after the Initial Public Offering, includes interest income earned at 3% per annum on proceeds arising from the Initial Public Offering that are assumed to be placed in deposits with licensed banks, and the interest savings on repayment of borrowings using the Initial Public Offering proceeds
- (2) Taxation, after the Initial Public Offering, includes the tax on interest income earned from the deposits placed with licensed banks
- (3) Basic and diluted earnings per share are calculated as indicated in Section 15.1 of this Prospectus "Consolidated Profit Forecast together with the Assumptions thereon".

The consolidated profit forecast of the Company for the year ending June 30, 2005 has been prepared based on the Directors' assessment of the present economic and operating conditions and the Directors' best estimate assumptions regarding future events and actions which, at the date the forecast was prepared, the Directors expect to take place. These future events may or may not take place. The principal assumptions are set out in Section 15.1 "Consolidated Profit Forecast together with the Assumptions thereon" and the risk factors, which may impact their achievement.

Further details on the Consolidated Profit Forecast and the Reporting Accountants' letter thereon are set out in Section 15 of this Prospectus.

3.21 Dividend Forecast

The Company has not declared or paid any dividends since its inception. The Board does not anticipate that it will declare any dividends for the financial year ending June 30, 2005. The Company's ability to pay dividends or make other distributions to its shareholders are subject to restrictions contained in its loan agreements which limit dividends without the prior written consent of the lenders, as well as to its having sufficient funds which are not needed to fund its operations, other obligations or business plans. Please refer to Section 14 of this Prospectus for "Description of Material Indebtedness and Credit Facilities" and Section 15.2 "Dividend Forecast".

4. DETAILS OF THE INITIAL PUBLIC OFFERING

4.1 Opening and Closing of Applications

Applications for the Retail Offering will be accepted from 10.00 a.m. on 20 October 2004 and will be closed at 5.00 p.m. on 27 October 2004 or for such further period or periods as the Directors of the Company, the Selling Shareholders and the Joint Managing Underwriters in their absolute discretion may mutually decide. **Late applications will not be accepted.**

4.2 Important Tentative Dates

The following events are intended to take place on the following tentative dates:

<u>Event</u>	<u>Tentative Dates</u>
Opening of the Institutional Offering	October 14, 2004
Opening of the Retail Offering	October 20, 2004
Closing of the Retail Offering	October 27, 2004
Closing of the Institutional Offering	October 28, 2004
Price Determination Date	October 28, 2004
Balloting of applications for the Shares pursuant to the Retail Offering	October 29, 2004
Allotment of Shares to successful applicants	November 17, 2004
Listing	November 22, 2004

The Initial Public Offering will open and close at the dates stated above or such other date or dates as the Directors of the Company, the Selling Shareholders, the Joint Bookrunners (to the extent of the Institutional Offering) and the Joint Managing Underwriters in their absolute discretion may mutually decide.

Applications for the Shares pursuant to the Retail Offering will open and close at the time and date as stated above or such other date or dates as the Directors of the Company, the Selling Shareholders and Joint Managing Underwriters in their absolute discretion may mutually decide.

Any extension of the abovementioned dates will be announced by way of advertisement in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

4.3 Details of the Initial Public Offering

The Initial Public Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions as set out in Section 4.6 of this Prospectus:

- *Retail Offering at the Retail Price of RM1.40 per Share, payable in full upon application and subject to refund in the event that the Final Retail Price is less than RM1.40 per Share.*

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

- (a) 23,350,300 Shares, representing approximately 1% of the enlarged issued share capital of the Company (before conversion of Options), are available for application by eligible directors and employees of AirAsia and persons who have contributed to the success of AirAsia; and
- (b) 116,751,600 Shares, representing approximately 5% of the enlarged issued share capital of the Company (before conversion of Options), are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, co-operatives, societies and institutions.

Any Shares not subscribed for under paragraph (a) above will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, co-operatives, societies and institutions.

Salient terms of the underwriting for the Retail Offering are set out in Section 16 of this Prospectus.

- *Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding*

560,407,500 Shares, representing approximately 24% of the enlarged issued share capital of the Company (before conversion of Options) are being offered to (i) Malaysian institutional and selected investors; (ii) QIBs in the U.S in reliance on Rule 144A; and (iii) in transactions outside the U.S in reliance on Regulation S.

The completion of the Retail Offering and Institutional Offering are inter-conditional. There is no minimum subscription amount to be raised from the Initial Public Offering.

If the Retail Offering and the Institutional Offering are not completed, monies paid in respect of any application for Shares will be returned without interest and if such monies are not returned within 14 days after the Company becomes liable to do so, then in addition to the liability of the Company, the officers of the Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period.

There is only one class of shares in the Company, being ordinary shares of RM0.10 each.

As at the date of this Prospectus, the authorized share capital of the Company consists of 5,000,000,000 Shares. The issued and paid-up share capital of the Company consists of 1,751,273,280 Shares. Upon completion of the Initial Public Offering, the total issued and paid-up share capital of the Company will consist of 2,335,031,080 Shares.

4.4 Details of Allocation to Eligible Directors, Employees and Persons who have Contributed to the Success of AirAsia

The eligible directors and employees of AirAsia and persons who have contributed to the success of AirAsia as at October 12, 2004 are allocated an aggregate of 23,350,300 Shares. The criteria of allocation of the Shares reserved for 1,380 eligible directors and employees of AirAsia and persons who have contributed to the success of AirAsia (of which 2,500,000 Shares are to be made available), is based on respective staff grades, length of service and length of relationship (as the case may be).

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

The details of the eligible Directors of the Company with their respective allocations under this category are as set out below:

Directors	Number of Shares Allocation
Dato' Pahamin Bin Ab Rajab	100,000
Anthony Francis Fernandes	100,000
Kamarudin Bin Meranun	100,000
Sami Ali A. Sindi	100,000
Mumtaz Khan	100,000
John Francis Tierney	100,000
Conor Mc Carthy	100,000
Tan Sri Dato' (Dr) R.V. Navaratnam	100,000
Datuk Leong Sonny @ Leong Khee Seong	100,000
Fam Lee Ee	100,000
Abdel Aziz @ Abdul Aziz Bin Abu Bakar	100,000
Richard Todd Scanlon	100,000
Adeeb Ahmed	100,000
Brian Douglas Courtney	100,000

4.5 Brokerage and Underwriting Commission

Brokerage is payable by the Company and the Selling Shareholders (if applicable) in respect of the sale of the Shares to the Malaysian public at the rate of 1% of the Final Retail Price in respect of successful applications which bear the stamp of participating organizations of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia and/or MIH.

The Company and the Selling Shareholders will pay to the Joint Managing Underwriters and Retail Underwriters an underwriting commission at the rate of 1% of the Final Retail Price for Issue Shares and Offer shares (if applicable) respectively sold in the Retail Offering.

In addition, the Company and the Selling Shareholders will pay the Joint Bookrunners and other underwriters for the Institutional Offering commissions and fees of up to 2.5% of the amount equal to the Institutional Price for the Issue Shares and the Offer Shares multiplied by the number of Shares sold pursuant to the Institutional Offering.

Further information on the underwriting is set forth in Section 16 of this Prospectus.

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

4.6 Clawback and Reallocation

The allocation of Shares between the Retail Offering and the Institutional Offering is subject to adjustment. In the event the Retail Offering is over-subscribed and there is a corresponding under-subscription in the Institutional Offering, Shares may be clawed back from the Institutional Offering and reallocated to the Retail Offering. In the event the Institutional Offering were over-subscribed and there is a corresponding under-subscription in the Retail Offering, Shares may be clawed back from the Retail Offering and reallocated to the Institutional Offering.

Any such reallocation is subject to the agreement of the Company, the Joint Bookrunners and the Joint Managing Underwriters.

4.7 Purposes of the Initial Public Offering

The purposes of the Initial Public Offering are as follows:

- (a) to obtain the listing of and quotation for the entire issued and paid-up share capital of the Company comprising 2,335,031,080 Shares on the Main Board of Bursa Securities;
- (b) to provide AirAsia access to capital markets and access to retail and institutional investors, to raise funds to finance future expansion and continued growth of AirAsia, and to enhance AirAsia's financial position in order to retain its competitiveness and first mover advantage;
- (c) to provide an opportunity for the Malaysian investing public and institutions, Directors and eligible employees of AirAsia and persons who have contributed to the success of AirAsia to participate in the continuing growth of AirAsia by way of equity participation;
- (d) to enhance the stature of AirAsia to market its services, maintain its existing market position and attract new skilled labour; and
- (e) to establish a financial platform and capital structure to allow AirAsia to continue to take advantage of growth opportunities.

4.8 Basis of Arriving at the Retail Price and Final Retail Price

Upon application, the retail applicants will pay the Retail Price of RM1.40 per Share, which equals to 93% of the illustrative Institutional Price of approximately RM1.51 per Share. The Company has determined the illustrative Institutional Price on the recommendation of the Joint Bookrunners.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, which is expected to be on or about October 28, 2004. The Final Retail Price will be the lower of:

- (i) the Retail Price of RM1.40 per Share; or
- (ii) 93% of the Institutional Price.

The Institutional Price will be determined upon agreement between the Company, the Selling Shareholders and the Joint Bookrunners on the Price Determination Date. The Institutional Price will be determined using a process known as "book-building" in which prospective institutional investors specify the number of Shares they would be prepared to acquire at different prices. This "book-building" process is expected to continue up to and to cease on or about October 28, 2004.

Prospective investors should also note that the market price of the Shares upon Listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the price of the Shares. In addition, applicant should note that the Shares could trade at prices that may be lower

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

than the Final Retail Price and the Institutional Price depending on many factors, including prevailing economic and financial conditions in Malaysia, AirAsia's operating results and the markets for similar securities.

Refund Mechanism

The refunds for applications made via Application Form or Electronic Share Application will be effected via remittances in the form of cheques, which will be dispatched by ordinary post to the addresses of the successful applicants as stated in the Depository records at their own risks within 10 Market Days from the final ballot of applications for the Shares.

The Final Retail Price will be published in widely circulated English and Bahasa Malaysia newspapers in Malaysia within two Market Days after the Price Determination Date. In addition, all successful applicants will be informed via written notice of the Final Retail Price in the notices of allotment.

Please refer to Section 4.8 "*Basis of Arriving at the Retail Price and Final Retail Price*".

4.9 Utilization of Proceeds

The gross proceeds to the Company arising from the issue of 583,757,800 Issue Shares at the Retail Price of RM1.40 and the illustrative Institutional Price of approximately RM1.51 per Issue Share respectively, will be used, during the period of 36 months after the date of this Prospectus, are as set forth below:

	<i>Note</i>	RM ('000)
Repayment of bank borrowings	1	94,240
Capital expenditure	2	100,000
Estimated listing expenses	3	35,500
Working capital	4,5	634,272
Total gross proceeds		864,012

Notes:

- 1 *The Company had previously obtained an aggregate of RM100 million in loans from Southern Bank Berhad and Public Bank Berhad for the purpose of acquiring four additional aircraft (refer to Section 14 of this Prospectus for details of "Description of Material Indebtedness and Credit Facilities"). As at June 30, 2004, RM95.5 million of the principal amount of the loans remained outstanding. AirAsia proposes to use part of the proceeds from the issue of the Issue Shares to repay the above mentioned credit facilities.*
- 2 *AirAsia proposes to use part of the proceeds arising from the issue of the Issue Shares to fund its planned capital expenditure (including, amongst other things, the acquisition of aircraft, aircraft spares and construction of a simulator complex).*
- 3 *The estimated listing expenses include professional advisory fees, fees to authorities and MHH, underwriting commission, selling commission, brokerage fees, printing costs and other expenses incidental to the Initial Public Offering.*
- 4 *AirAsia utilizes short term revolving credit and trade facilities to meet part of its working capital requirements. AirAsia further proposes to utilize part of the proceeds arising from the issue of the Issue Shares to support its business operations that include financing its aircraft lease expenses, administrative and operating expenses.*
- 5 *In the event AirAsia purchases or leases additional aircraft from Airbus or Boeing in addition to 12 additional aircraft AirAsia expects to acquire or lease by June 30, 2005, costs associated with deposits and initial progress payments will be paid for with existing cash on hand, which will include the proceeds from the issue of the Issue Shares allocated to working capital (please refer to Section 13.9 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditure" and Section 7.15 "Business – Fleet").*

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

The Company will not receive any proceeds from the offer and placement of the Offer Shares by the Selling Shareholders.

In the event that the Final Retail Price and Institutional Price are different from the above assumptions, the actual gross proceeds to the Company from the issuance of the Issue Shares may be higher or lower than the expected gross proceeds of approximately RM864.0 million set forth above. Any increase or decrease in the gross proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to the Company's provision for working capital requirements. The Company's provision for working capital requirements will also be amended to reflect any difference between the Company's actual listing expenses and the estimated expenses of RM35.5 million set forth above.

None of the proceeds arising from the Offer for Sale will accrue to the Company as the proceeds will accrue entirely to the Selling Shareholders.

The financial impact of the above utilisation of proceeds on AirAsia for the financial year ending 30 June, 2005 is as follows:

	With proceeds from the Issue Shares arising from Initial Public Offering (RM '000)	Incremental effect associated with utilisation of proceeds (RM'000)
Consolidated PAT after MI	159,882	12,545

The principal bases and assumptions underlying the profit forecast are set out in Section 15.1 of this Prospectus "*Consolidated Profit Forecast together with the Assumptions thereon*".

4.10 Estimated Expenses of the Initial Public Offering

The expenses of this Initial Public Offering are estimated to be RM35.5 million, of which RM22.5 million are estimated commissions and other fees payable to the Joint Managing Underwriters, Retail Underwriters, Joint Bookrunners and other underwriters for the Institutional Offering, RM0.6 million are estimated fees payable to authorities and MIH, RM10 million are estimated professional fees and the remaining RM2.4 million are other fees and expenses such as printing, advertising and traveling expenses incurred in connection with the Initial Public Offering.

The Company shall be responsible and shall pay for all expenses of this Initial Public Offering and for the selling and underwriting commissions, brokerage, registration fees and other expenses and fees incidental to the issue and sale of the Issue Shares. The Selling Shareholders shall be responsible for and shall pay the selling and underwriting commissions, stamp duty and share transfer fees payable in relation to the offer and sale of the Offer Shares.

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

4.11 Dilution

AirAsia's NTA as at June 30, 2004, on the assumptions that certain events set forth in Section 12.2, "Proforma Consolidated Balance Sheets of the Company" have been effected, was RM141.80 million or RM0.08 per Share. NTA per Share represents total tangible assets less total liabilities, divided by the total number of issued and outstanding Shares as at June 30, 2004. Dilution per share represents the amount per Share paid by investors in this Initial Public Offering less the net tangible assets per Share after giving effect to the Initial Public Offering.

After giving effect to the issuance of and subscription for 583,757,800 Issue Shares at the Retail Price and Institutional Price of RM1.40 and approximately RM1.51 per Share respectively, AirAsia's NTA would have been RM970.31 million in the aggregate, or RM0.42 per Share. This is after deducting estimated selling and underwriting commissions relating to the issue of and subscription for 583,757,800 Issue Shares and estimated expenses of the Initial Public Offering. This represents an immediate increase in net tangible value of RM0.34 per Share to existing shareholders and an immediate dilution in net tangible assets of RM0.98 and RM1.09 per Share to new investors under the Retail Offering and Institutional Offering respectively, subscribing for Shares in the Initial Public Offering. The following table illustrates this per share dilution:

Retail Price per Share.....	RM1.40
Institutional Price per Share	RM1.51
NTA per Share before the Initial Public Offering ⁽¹⁾	RM0.08
Increase in NTA per Share attributable to 583,757,800 Issue Shares	RM0.34
NTA per Share after the issue of 583,757,800 Issue Shares	RM0.42
Dilution in NTA per Share to new investors under the Retail Offering	RM0.98
Dilution in NTA per Share to new investors under the Institutional Offering	RM1.09

Note:

(1) Assuming that certain events set out in Proforma Consolidated Balance Sheets of the Company included in Section 12.2, "Proforma Consolidated Balance Sheets of the Company" had been effected.

4.12 An approximate 25-day Gap Between Pricing and Trading of Shares

It is expected that the Shares offered in this Initial Public Offering will not commence trading on the Bursa Securities until approximately 25 days after the Price Determination Date. Subscribers of the Shares will not be able to sell or otherwise deal in the Shares (except by way of book entry transfers to other CDS Accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities. Please refer to Section 5.4.7 "Risk Factors – Risks Relating to the Shares - There may be a delay or failure in trading of the Shares".

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

4.13 Moratorium on Shares

Pursuant to clause 6.24 of the SC Guidelines and as a condition of the SC's approval for the Listing, the shareholders set out below will not be allowed to sell, transfer or assign, 1,050,763,986 Shares, representing 45% of the enlarged issued and paid up share capital of the Company after the Initial Public Offering, for one year from the date of admission of the Company to the Official List.

Details of the shareholders of the Company who will be subject to moratorium, as approved by the SC, are as follows:

Shareholder	Shares held before the Initial Public Offering		Shares held after the Initial Public Offering		Shares under moratorium	
	No. of Shares	% of enlarged share capital*	No. of Shares	% of enlarged share capital*	No. of Shares	% of enlarged share capital*
Tune Air	1,131,673,080	64.6	1,045,344,650	44.8	788,917,306	33.8
IDBIF	122,589,130	7.0	110,887,910	4.7	85,252,410	3.6
CAAL	157,614,590	9.0	147,083,490	6.3	109,610,235	4.7
DCL	96,320,030	5.5	88,129,180	3.8	66,984,035	2.9
	1,508,196,830	86.1	1,391,445,230	59.6	1,050,763,986	45.0

Note:

* Enlarged share capital excludes the number of shares to be issued pursuant to the exercise of Options

The moratorium, which has been fully accepted by the aforesaid shareholders, is specifically endorsed on the share certificates representing the shareholding of the aforesaid shareholders, which are under moratorium. This is to ensure that the Company's Registrar does not register any transfer not in compliance with the restriction imposed by the SC and Bursa Securities.

The statement to be endorsed on these share certificates is as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Bursa Malaysia Securities Berhad during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

Pursuant to the SC Guidelines, where the affected shareholder is an unlisted company, every shareholder of the unlisted company (if an individual) or ultimate individual shareholder (if the shareholder of the unlisted company is another unlisted company) must give an undertaking that he/she will not sell, transfer or assign his/her shareholding in the related unlisted company during the Moratorium Period as stated above. Accordingly, the above mentioned moratorium shall also apply to the respective ultimate shareholders of Tune Air, IDBIF, CAAL and DCL.

4.14 Lock-up Agreement

The Company and substantially all of its shareholders (including the Selling Shareholders) have agreed not to offer, sell, contract to sell, pledge, charge, grant options over or otherwise dispose of, directly or indirectly, any Shares or securities convertible or exchangeable into or exercisable for the Shares, or enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such aforementioned transaction is to be settled by delivery of the Shares or such other shares, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or enter into any such transaction, swap, hedge or other arrangement or make an announcement relating thereto without, in each case, the prior written consent of the Joint Bookrunners for a period commencing from the date of the lock-up agreement until 180 days after the date of Listing.

4. DETAILS OF THE INITIAL PUBLIC OFFERING (Cont'd)

Any Shares acquired by the above shareholders of the Company in the open market will not be subject to lock-up agreement. A transfer of Shares by such shareholders to a family member or trust of such shareholders may be made, provided the transferee agrees to be bound in writing by the terms of lock-up agreement prior to such transfer and such transfer shall not involve a disposition for value.

Notwithstanding the preceding restrictions on disposal, the restrictions do not apply;

- (a) (i) to the grant of Options by the Company and issue of Shares consequent thereto pursuant to the By-Laws of the ESOS (details of which are set out in Section 4.15 "*Share Capital*") or (ii) when the shareholdings of foreign interests in the Company come within 5.0% of the prescribed limit of 45.0% and the Directors, having regard to prevailing circumstances, are of the opinion that the Company's route rights may be compromised, in which case the Directors may immediately undertake a restricted issue and/or placement of new shares or securities upon such terms as they deem fit and in the best interest of the Company, in order to protect those route rights;
- (b) to the 11,384,000 Shares delivered to RHB Sakura by Raja Mohd Azmi bin Raja Razali, the Company's Executive Vice President and Chief Financial Officer, upon the Listing date; and
- (c) with respect to the 78,807,300 Shares held by CAAL II, one third of which may be disposed of by CAAL II, Ltd. at or after each of 60, 120 and 180 days after the Listing date with the prior written consent of Credit Suisse First Boston, which consent shall not be unreasonably withheld.

LTH, which will beneficially own 43,781,830 ordinary shares representing 1.9% of the Company's enlarged share capital after the completion of the Initial Public Offering, is not subject to any restriction on the disposal of such ordinary shares.

If the Company's shareholders sell, or are perceived as intending to sell, substantial numbers of Shares in the public market following the 180-day period, the market price of the Shares could fall.

After the issuance of 583,757,800 Issue Shares pursuant to the Initial Public Offering, the Company will have an enlarged share capital of 2,335,031,080 issued and paid-up Shares. All of these Shares will otherwise be freely tradable on the Main Board of Bursa Securities. It is also possible that the Company may issue additional shares after the 180-day period has elapsed following the date of commencement of trading on Bursa Securities in connection with financing activities, acquisition activities or otherwise. Any ordinary share that the Company issues will also be freely tradable on the Main Board of Bursa Securities.

4.15 Share Capital

There is only one class of shares in the Company, being ordinary shares of RM0.10 each, details of which are as follows:

	RM
<i>Authorised</i>	
5,000,000,000 ordinary shares of RM0.10 each	500,000,000
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
1,751,273,280 ordinary shares of RM0.10 each	175,127,328
<i>To be issued pursuant to the Initial Public Offering</i>	
583,757,800 ordinary shares of RM0.10 each	58,375,780
<i>Enlarged and fully paid-up upon Listing</i>	
2,335,031,080 ordinary shares of RM0.10 each	233,503,108

4. DETAILS OF THE INITIAL PUBLIC OFFERING (*Cont'd*)

The Company has established the ESOS on June 7, 2004 to grant Options to the employees and Directors of AirAsia, wherein the maximum number of Shares to be offered under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time. As at the date of this Prospectus, the Company has offered options to subscribe for a total of 93,240,000 Shares, representing approximately 4% of the enlarged issued and paid-up share capital of the Company after the Initial Public Offering. For a substantial majority of the employees, the Options when accepted, shall become exercisable on a staggered basis commencing September 1, 2005, at an exercise price of RM1.08 per Share.

The exercise price in respect of the remaining Options which may be granted after the date of Listing shall be the higher of the following:

- (a) at a discount of not more than 10% (or such other pricing mechanism as may be permitted from time to time by Bursa Securities or any other relevant regulatory authority) of the weighted average market price of the Shares for the five Market Days immediately preceding the date of offer; or
- (b) the par value of the Shares.

For illustrative purpose only, assuming up to 233,503,108 Options are granted under the ESOS (being 10% of the enlarged issued and paid-up share capital of the Company upon the completion of the Initial Public Offering of 2,335,031,080 Shares) after the Initial Public Offering, and are fully exercised by the option holders, the issued and paid-up share capital of the Company will increase to RM256,853,418 comprising 2,568,534,188 Shares.

The Shares to be allotted and issued upon any valid exercise of Options will, upon such allotment and issuance, rank *pari passu* in all respects with the then existing and issued Shares except that such Shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such Shares. The Options shall not carry any right to vote at a general meeting of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder, shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held by them. A proxy may but need not be a member of the Company. However, there are instances wherein the voting rights can be disenfranchised. For information please refer to Section 5.4.3 of this Prospectus.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole or any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of this Prospectus.