

Bursa Announcement

Subject: AirAsia Berhad - Proposed acquisition of one (1) unit of Bombardier BD-700-1A10 Global Express 9M-CJG from Caterhamjet Global Ltd

1. INTRODUCTION

Pursuant to Paragraph 10.08(1) of the of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), AirAsia Berhad (“AAB” or the “Company”) wishes to announce that it has entered into a Sale and Purchase Agreement (“SPA” or the Agreement”) with Caterhamjet Global Ltd (“CJG”) on 21 June 2016 for the acquisition of one (1) unit of Bombardier BD-700-1A10 Global Express 9M-CJG (“Global Express” or the “Aircraft”) for a cash consideration of USD10 million (“Transaction”) subject to the terms and conditions contained in the Agreement with the purchase price to be satisfied by cash from the Company’s internally available funds.

2. INFORMATION ON THE ENTITY

CJG

CJG, a company incorporated in British Virgin Islands with its main business at Unit 19-07-01, Wisma Tune, 19 Lorong Dungun, Bukit Damansara, 50490, Kuala Lumpur, Malaysia. CJG’s principal business activity is the provision of private jet charter via the Bombardier Global Express aircraft as well as the maintenance support for the aircraft. CJG is deemed as a Related Party via the interest of AAB Directors, Tan Sri (Dr.) Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun in Tune Group Sdn. Bhd. (“TG”), as the sole shareholder of CJG pursuant to Section 6A of the Companies Act, 1965.

3. BACKGROUND

On 1 April 2015, AAB entered into two (2) agreements related to the use of the Aircraft operated by CJG for the benefit of AAB Executive Chairman, Datuk Kamarudin Bin Meranun (“EC”) and Group Chief Executive Officer, Tan Sri (Dr.) Anthony Francis Fernandes (“GCEO”):

- **Agreement with CJG** for the use of the Aircraft operated by CJG and the maintenance support for an annual fee of USD3 million plus 6% Goods and Services Tax (“GST”) until 30th June 2017. This will include the cost of fuel, route charges, aircraft parking charges, ground handling charges, aircraft engineering and maintenance, landing fees, any applicable security and immigration costs and any costs related to flight operations. In return, CJG will ensure that the Aircraft is available for usage at a minimum of seventy five (75) actual flight hours per month.
- **Agreement with TG** for the secondment of AAB personnel to TG and reimbursement of staff costs to TG until 30th June 2017. The personnel set forth are 3 pilots, 1 engineer, 1 technician and 2 administrators for the purposes of operating and maintaining the Aircraft.

On 31 March 2016, the Board of AAB approved CJG’s request to increase the annual contribution from USD3 million to USD5.75 million due to the increasing operating costs of the Aircraft. This would amount to an additional outlay of USD687,500 per quarter (the “Incremental Payment”). The Incremental Payment would be used to reduce the purchase price when the Management consider to purchase the Aircraft.

4. THE AGREEMENT

Salient terms of the Sale and Purchase Agreement:

- **The Parties**
CJG as the Seller (the “Seller”) and AAB or a company nominated by it as the Purchaser (the “Purchaser”).

- **The Acquisition**

CJG agreed to sell to AAB and AAB agreed to acquire from CJG one (1) unit of Bombardier BD-700-1A10 Global Express 9M-CJG for a consideration of USD10 million.

- **Basis of Consideration**

The purchase consideration is based on the agreed valuation of one (1) unit of Global Express for USD10 million by taking into account of the market value of Global Express, CJG's existing outstanding loan as well as the existing payables on Global Express.

- **Payment Terms**

The purchase price for the Aircraft shall be USD 10,000,000.00 (the "Purchase Price") and the delivery of the Aircraft shall be free of charges and encumbrances. The payment to occur in two parts:

- A deposit amount of USD1.5 million (the "Deposit") when the Agreement is signed; and
- The Purchase Price minus the Deposit and any other amount as stipulated in the Agreement ("Net Purchase Amount") when the Aircraft is delivered.

- **Salient Terms**

The Transaction is subject to the satisfaction of the following conditions precedent being fulfilled by the parties as documented in the SPA:

1. Purchasers Conditions Precedent

- a. Satisfactory fulfillment of the pre-delivery inspection of Global Express and all maintenance records on or prior to the delivery date at a time and place convenient to Purchaser;
- b. Purchaser shall have received all relevant documents on or before the delivery date not limited but including the Bill of Sale, certificates of airworthiness and maintenance certificates, certificates of registration in relation to Seller's title to the Aircraft as well as original or certified true copies of other aircraft documents;
- c. Any amount agreed by the Seller and Purchaser to be offset against Net Purchase Amount;
- d. The agreed delivery location does not give rise to any taxes, other than any taxes which the Seller shall have agreed to bear; and
- e. Purchaser shall be satisfied that no event of default is continuing.

2. Sellers Conditions Precedent

- a. Seller shall have received the acceptance certificate duly executed by Purchaser;
- b. Seller shall have received the Net Purchase Amount; and
- c. No change having occurred after the date of the Agreement.

- **Expected Completion**

The Transaction is expected to be completed latest by 31 December 2016.

5. TRANSACTION RATIONALE

Purchasing Global Express from CJG will confer the following benefits to AAB:

- **Executive efficiency.** EC and GCEO has been using the Aircraft since 2012 for the purpose of executive efficiency. As CJG is planning to sell the Aircraft, loss of the Aircraft would mean that GCEO and EC will no longer be able to benefit from the convenience and efficient transport provided by Global Express when travelling to AAB's associates for work, as they would have to rely on commercial flights which may be infrequent or inconvenient-timed. This would result in significant loss of productivity due to inefficient wait times, especially with the high volume and frequency of travel undertaken by EC and GCEO. Flying commercial would also mean that EC and GCEO would not be able to conduct business discussions or hold meetings with senior management as they currently do in the private space of Global Express, adding to the inefficiency.
- **Better cost efficiency.** The current commercial agreement with TG is not efficiently structured as AAB has to pay the salaries of the staff it seconded to TG to operate Global Express, incurring GST in the process. Acquiring Global Express and bringing flight and maintenance crew back into AAB would allow the Company to save on this additional cost. Absorbing the staff would also allow them to be

better utilised as they can be deployed to other operational functions within AAB and not just those associated with Global Express.

In addition, AAB as a leading low-cost carrier will be able to leverage its size and relationship with vendors and suppliers, especially those related to the Aircraft components and maintenance, to potentially lower operating costs further. Lastly, it should be noted that private jet prices in Asia have declined over the past two years since the slowdown in the regional economy, which makes Global Express relatively cheap to acquire at the moment.

6. DESCRIPTION OF ASSET

Detailed description of Global Express are listed below:

- Global Express (Registration Number: 9M-CJG, Serial Number: 9003) was manufactured on 4 March 1997 and was used as Bombardier Demonstrator & Bombardier CEO Aircraft. CJG purchased the aircraft for USD24 million on 6 July 2012 and refurbished the Aircraft for USD0.7 million the subsequent year.
- Rolls-Royce Deutschland BR710A2-20 engines (Serial Number: 12212 and 12261).
- Maintenance Summary and Forecast: Global Express has consistently met its maintenance schedule.
- Other Features/Upgrades: Global Express has long range tanks and Maximum Take-off Weight upgrade which make it as capable as a Global Express Extended Range Series - an improved version of the model. Global Express also has had the Batch 3 Service Bulletin Modifications which further improve its value.

7. VALUATION OF ASSET

AAB received two independent valuation opinions, Collateral Verifications, LLC ("Collateral") and Avionco Canada Ltd ("Avionco") on the fair market value of the Aircraft:

- **Collateral's Valuation:** Based on the most likely trading price under the current market conditions, the market value of Global Express as of 16 November 2015 is up to USD 15.6 million.
- **Avionco's Valuation:** Based on the current market conditions for the sale of Global Express in a timely manner as of 17 November 2015, the current Aircraft's valuation falls slightly lower than the low range of the advisable value of USD10.5 million to USD11.5 million.

8. FINANCIAL RISKS

The financial risks associated with entering into the Transaction are expected to be limited to the declining market value of Global Express should the value falls more rapidly than depreciation via normal use. This as well as the potential escalation of maintenance and operating costs as the Aircraft ages.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

AAB and CJG are deemed related parties by virtue of the fact that two Directors and indirect shareholders of CJG (i.e. Tan Sri (Dr.) Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun) are also shareholders and Directors in AAB.

The Related Parties are deemed interested in the Transaction and they have abstained from all Board and management deliberations in respect of the Transaction. The Related Parties' direct and indirect shareholdings in AAB as at 21 June 2016 are as set out in the table below:

Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri (Dr.) Anthony Francis Fernandes	1,600,000	0.06%	516,485,082	18.56
Datuk Kamarudin Bin Meranun	2,000,000	0.07%	516,485,082	18.56

Save as disclosed, no other directors and/or major shareholders of AirAsia and/or persons connected with them have any interest, whether directly or indirectly, in the Transaction.

10. AUDIT COMMITTEE'S OPINION

The Audit Committee of AirAsia, having considered all the relevant factors is of the opinion that the Transaction is in the best interest of the Company as it is fair, reasonable and entered into on normal commercial terms which are not detrimental to the interest of the minority shareholders, due to the reasons stated in the rationale and considering the limited level of risk exposure mentioned above.

11. STATEMENT BY THE BOARD

Save for the Related Parties (who have abstained), the Board having considered all the relevant factors in respect of the Transaction is of the opinion that entering into the Transaction is in the best interest of the Company.

12. FINANCIAL EFFECT OF THE AGREEMENT

This Transaction will not have any material financial impact in the current financial year nor will it have any effect on the share capital and substantial shareholders' shareholdings of AAB. It is also not expected to have material effect on the net assets per share, earnings per share and gearing of AAB for the financial year ending 31 December 2016.

13. APPROVAL REQUIRED

The value of the Transaction would not breach the 5% percentage ratio as prescribed under the Bursa Securities' MMLR. As such, AAB does not require approval of its shareholders or any authorities to undertake this investment.

14. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Transaction is 0.91% and the aggregated percentage ratio for all the transactions in the agreement between AAB and the Related Parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the MMLR of Bursa Securities is 3.33%.

15. TOTAL AMOUNT TRANSACTED FOR THE PRECEDING TWELVE (12) MONTHS

The total amount transacted between AAB and the Related Parties and/or persons connected with them for the preceding twelve (12) months was RM110 million.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection at the registered office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 21 June 2016.