

# SALE OF 50% EQUITY SHARES IN ASIAN AVIATION CENTRE OF EXCELLENCE SDN BHD (“AACE”) BY AIRASIA BERHAD (“AIRASIA” OR “THE COMPANY”) (hereinafter referred to as “TRANSACTION”)

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### 1 INTRODUCTION

On behalf of the Board of Directors of AirAsia (“**Directors**”), we wish to announce that we had on 24 August 2017 executed a Share Purchase Agreement (“**SPA**”) with CAE International Holding Ltd, (“**CAE**”) to sell AirAsia’s entire shareholding in AACE (or “**JV Company**”) comprising 82,780,000 ordinary shares which is equivalent to 50% of the issued and outstanding shares of AACE to CAE for a total consideration sum (“**Purchase Consideration**”) of USD100,000,000 (or MYR429,300,000 at the exchange rate of 4.293) (including earn out).

### 2 DETAILS OF THE TRANSACTION

#### 2.1 Background on AACE:

AirAsia acquired 1 ordinary share in AACE of RM1.00 each on 11 June 2011. On 20 June 2011, AirAsia entered into a joint venture (“**JV**”) with CAE for the purpose of providing training services for pilots, cabin crew, engineers, ramp handlers, guest services and aviation management (“**Academy**”). The JV operated through AACE which is equally owned by AirAsia and CAE with a paid-up capital of MYR165,560,000. On 29 September 2011, AirAsia subscribed for 82,779,999 ordinary shares in AACE of RM1.00 each.

Pursuant to the JV, the Company entered into the following agreements:

- (a) Shareholders Agreement dated 20 June 2011 with CAE governing the rights and obligation of each shareholders; and
- (b) Pilot Training Services Agreement dated 24 June 2011 and Non-Pilot Training Services Agreement dated 13 February 2012 with AACE.

Each of the Company’s current affiliates (AOCs) had also entered into separate Training Services Agreement with AACE.

#### 2.2 Background of CAE

CAE is a global leader in training for the civil aviation, defence and security, and healthcare markets. Backed by a 70-year record of industry firsts, we continue to help define global training standards with our innovative virtual-to-live training solutions to make flying safer, maintain defence force readiness and enhance patient safety. We have the broadest global presence in the industry, with more than 8,500 employees, 160 sites and training locations in over 35 countries. Each year, we train more than 120,000 civil and defence crewmembers and thousands of healthcare professionals worldwide.

#### 2.3 Financial analysis of the Transaction:

- Disposal Price per share in AACE: MYR5.19
- Price-earnings ratio: 17.71 (earnings per share is based on audited financial statements of AACE for the financial year ended 31 December 2016)
- Increase in the Company’s Net Tangible Asset per share: MYR0.16

2.4 Basis of determining the Purchase Consideration:

The Purchase Consideration was arrived at on a willing buyer, willing seller basis after taking into account future discounted cash flows of the JV Company.

**3 UTILISATION OF PURCHASE CONSIDERATION**

The cash received as Purchase Consideration will form part of AirAsia's working capital and increase our liquidity.

**4 RATIONALE FOR THE TRANSACTION**

AirAsia is rich in assets but its core business is passenger service and ancillary. AirAsia will continue to regularly dispose of non-core investments and dividend most of it out, subject to board approval.

The sale of the AirAsia's equity shares in the JV Company will allow the Company to realise substantial gains on its disposals and augment its liquidity.

In the long run, the Transaction allows AirAsia to concentrate on its core business by completely outsourcing its training needs to CAE Group and also avoid making further significant capital investments in the JV Company.

**5 FINANCIAL EFFECTS OF THE TRANSACTION**

It is anticipated that this Transaction shall result in the Company realising a gain on disposal of MYR304.8 million in Q4 2017. The net assets and cash balance of the Company shall increase by MYR304.8 million and MYR386.4 million respectively immediately after the sale. A total gain of MYR187.6 million will be recognised at group consolidated level.

The Directors do not foresee any additional material risk in relation to the Transaction.

**6 LIABILITIES TO BE ASSUMED**

There is no liability of the JV Company to be assumed in respect of the Transaction.

**7 APPROVAL REQUIRED**

The value of the Transaction would not breach the 25% percentage ratio as prescribed under the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements. As such, the Company does not require the approval of its shareholders.

However, the Transaction requires the approval of the Department of Civil Aviation which the Company and CAE will jointly procure.

**8 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors and/or major shareholders of AirAsia and/or persons connected with them have any interest, whether directly and indirectly, in the Transaction.

**9 STATEMENT BY THE DIRECTORS**

The Directors having considered the rationale for the Transaction and after careful consideration, are of the opinion that the Transaction is in the best interest of AirAsia and its shareholders.

**10 HIGHEST PERCENTAGE RATIO APPLICABLE TO THE TRANSACTION**

The highest percentage ratio applicable to the Transaction pursuant to paragraph 10.02(g) of the Bursa Malaysia Main Market Listing Requirements is 6.47%.

**11 COMPLETION OF THE TRANSACTION**

The Transaction is expected to be completed by end of November 2017.

**12 DOCUMENT 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 3 months from the date of this announcement.

This announcement is dated 25 August 2017.