

Bursa Announcement

Subject: Acquisition of one (1) unit of Bombardier BD-700-1A10 Global Express (“the Aircraft”) from Caterhamjet Global Ltd (“CJG”) by AirAsia Berhad (“AirAsia or the Company”).

1. INTRODUCTION

On 21 June 2016, the Company entered into a Sale and Purchase Agreement (“the Initial SPA”) with CJG for the acquisition of one (1) unit of Bombardier BD-700-1A10 Global Express aircraft bearing registration 9M-CJG for a cash consideration of USD10 million. The execution of the Initial SPA was announced to Bursa Malaysia.

The Initial SPA was however not completed by mutual agreement by the Parties.

The Company and CJG have now agreed to enter into a similar sale and purchase agreement in respect of the Aircraft with a similar cash consideration of USD10 million and the Parties have today entered into a Sale and Purchase Agreement for the Aircraft (“the Transaction”).

The Parties contemplate that the Transaction will be novated to a soon to be formed fully owned subsidiary of AirAsia who will act as the registered Owner of the Aircraft. The Company will be making an announcement upon the incorporation of the subsidiary.

The purchase price for the Transaction is to be satisfied by cash from the Company’s internally available funds.

2. INFORMATION ON THE SELLER

CJG is 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 Aircraft as well as the maintenance support for the Aircraft. CJG is deemed as a Related Party via the interest of AirAsia 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 8 of the Companies Act, 2016.

3. THE AGREEMENT

Salient terms of the Transaction:

- **The Parties to the Contract**
CJG as the Seller (the “**Seller**”) and the Company as the Purchaser (the “**Purchaser**”).
- **The Acquisition**
CJG agrees to sell and the Company agrees to acquire from CJG the Aircraft for a cash consideration of USD10 million (“**Purchase Price**”).
- **Basis of Consideration**
The Purchase Price is based on the agreed valuation of one (1) unit of the Aircraft for USD10 million after taking into account of the market value and conditions of a Global Express aircraft of the same vintage.

- **Payment Terms**

The Purchase Price of USD10 million and the delivery of the Aircraft which shall be free of charges and encumbrances. The payment shall be made as follows:

- A deposit amount of USD1.5 million (the “**Deposit**”) when the Initial SPA was initially signed. Under the Transaction, CJG acknowledges the Deposit it received under the Initial SPA;
- Payment of a Redemption Sum owing to Seller’s financier so the title to the Aircraft is delivered to the Company unencumbered; and
- Payment of the balance Purchase Price minus the Deposit and the Redemption Sum when the Aircraft is delivered.

- **Salient Terms**

The Transaction is subject to the satisfaction of the following conditions precedent being fulfilled:

- Satisfactory fulfilment of the pre-delivery inspection of the Aircraft and all maintenance records on or prior to the delivery date at a time and place convenient to Purchaser;
- Purchaser shall have received all relevant documents on or before the delivery date including the Bill of Sale, certificates of airworthiness and maintenance certificates and the certificates of registration in relation to Seller’s title to the Aircraft; and
- Receipt of a copy of a letter of Undertaking from Seller’s financier confirming the Redemption Sum and an undertaking to remove all encumbrances from the title to the Aircraft.

Expected Completion

The Transaction is expected to be completed by **30 June 2017**.

4. TRANSACTION RATIONALE

Purchasing the Aircraft from CJG will confer the following benefits to AirAsia:

- **Executive efficiency.** Executive Chairman (“**EC**”) and Group Chief Executive Officer (“**GCEO**”) have been using the Aircraft since 2012 for the purpose of executive efficiency. As CJG is planning to sell the Aircraft, the GCEO and EC will no longer be able to benefit from the convenience and efficient transport provided by the Aircraft when travelling to AirAsia’s associates for work, as they would have to rely on commercial flights which may be infrequent or inconveniently-timed. This would result in significant loss of productivity due to unnecessary 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 the Aircraft.

Better asset utilisation. Post-acquisition, by operating the Aircraft under the Company subsidiary, it will allow the subsidiary to operate the Aircraft with the option to either operate it under a private category or option to sign a charter agreement with an approved Aircraft Operating Certificate (“AOC”) holder without being constrained by the regulatory considerations of the commercial AOC of AirAsia. The subsidiary is contemplating to apply for a charter AOC from DCA Malaysia (“DCAM”) to operate as a full-fledged charter and private unscheduled business jet operator.

5. DESCRIPTION OF ASSET

Detailed description of the Aircraft is listed below:

- The Aircraft (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: the Aircraft has consistently met its maintenance schedule.

Other Features/Upgrades: the Aircraft 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.

6. FINANCIAL RISKS

The financial risks associated with entering into the Transaction are expected to be limited to the declining market value of the Aircraft 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.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

AirAsia 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 AirAsia.

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 AirAsia as at 16 March 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	0.048%	1,075,485,082	32.182
Datuk Kamarudin Bin Meranun	2,000,000	0.060%	1,075,485,082	32.182

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.

8. 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.

9. 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.

10. 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 AirAsia. It is also not expected to have material effect on the net assets per share, earnings per share and gearing of AirAsia for the financial year ending 31 December 2017.

11. APPROVAL REQUIRED

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

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Transaction is 1% and the aggregated percentage ratio for all the transactions in the agreement between AirAsia and the Related Parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the MMLR of Bursa Securities is 2.14%.

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

The total amount transacted between the Company and the Related Parties and/or persons connected with them for the preceding twelve (12) months was RM59,515,351.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The Sale and Purchase Agreement for the Transaction 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 16 March 2017.