

## **ANNOUNCEMENT TO BURSA MALAYSIA**

### **Joint Venture between AirAsia Berhad and SATS Ltd. on a Ground Handling Partnership**

#### **1. INTRODUCTION**

The Board of Directors (“**Board**”) of AirAsia Berhad (“**AirAsia**”) wishes to announce that AirAsia today has entered into the following transactions (the “**Transactions**”) in relation to a proposed joint venture with SATS Ltd. (“**SATS**”) (the “**Joint Venture**”):

- (a) a share swap agreement to transfer 98% shares of Ground Team Red Sdn. Bhd., a wholly-owned subsidiary of AirAsia (“**GTR Malaysia**”) to Ground Team Red Holdings Sdn. Bhd., another wholly-owned subsidiary of AirAsia (“**GTRH**”) in exchange for 88.6% equity interest in GTRH. Contemporaneously, GTRH will acquire 80% equity stake in SATS Ground Services Pte. Ltd., currently a wholly-owned subsidiary of SATS (“**SGS Singapore**”) for SATS in exchange for 11.4% equity stake in GTRH; and
- (b) a share sale agreement for AirAsia to sell 38.6% of its shareholding in GTRH to SATS (the “**SSA**”)

#### **2. DETAILS OF THE TRANSACTIONS**

- 2.1 GTR Malaysia was incorporated in Malaysia on 26 December 2007. A change in name to Ground Team Red Sdn. Bhd. and related amendment to the constitution was completed on 31 October 2014, with its principal business activity being the provision of ground handling services in Malaysia.
- 2.2 SGS Singapore was incorporated in Singapore on 5 September 2017 with its principal business activity being the provision of airport ground handling services.
- 2.3 GTRH was incorporated in Malaysia on 21 September 2017 with its principal business being the investment holding activities of AirAsia’s airport service businesses.
- 2.4 SATS is a leading ground handling and in-flight catering services provider in Singapore.

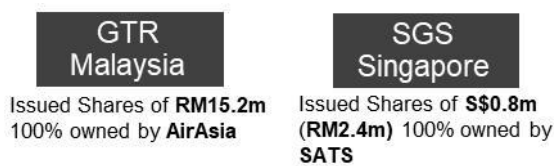
#### **3. SALIENT TERMS OF THE SHARE SWAP AGREEMENT AND THE SSA**

- 3.1 The obligations of GTRH and SATS in the Share Swap Agreement, and those of AirAsia and SATS in the SSA, are subject to the fulfilment of certain conditions precedent. Upon the fulfilment of such conditions precedent and completion of the transactions contemplated under the Share Swap Agreement and the SSA, AirAsia will eventually hold 50% of the shares of GTRH. GTRH will in turn hold 98% of the shares of GTR Malaysia and 80% of the shares of SGS Singapore. AirAsia will hold directly the remaining 2% shares of GTR Malaysia and SATS will hold directly the remaining 20% of the shares of SGS Singapore.
- 3.2 AirAsia will ultimately hold 51% of the shares of GTR Malaysia, as the majority shareholder.

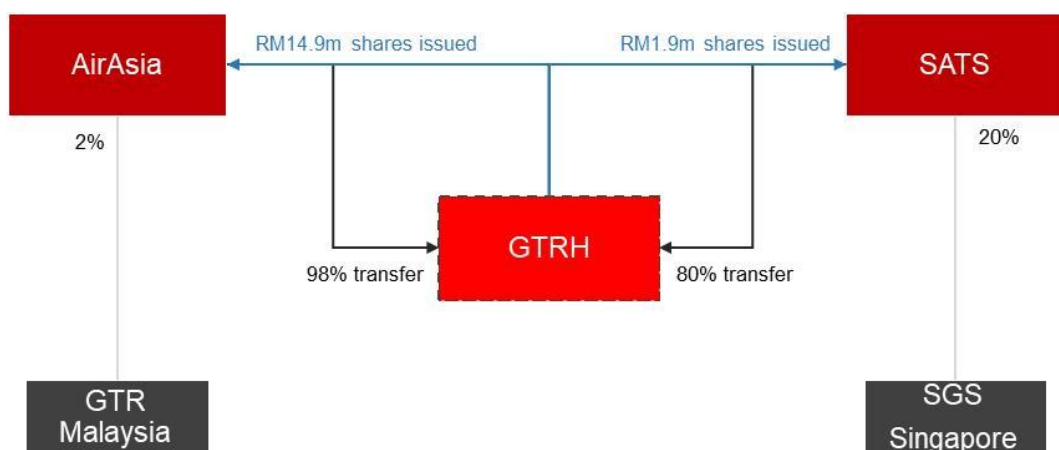
- 3.3 The consideration for the sale of 98% equity stake in GTR Malaysia by AirAsia to GTRH is at a net book value of RM14.9 million which is to be satisfied by GTRH issuing 88.6% equity stake in GTRH equivalent to 14,857,829 ordinary shares at an issue price of RM1 each to AirAsia and which was negotiated on an arm's length basis.
- 3.4 The consideration for the sale of 80% equity stake in SGS Singapore by SATS to GTRH under the Share Swap Agreement is at a net book value of S\$0.6 million (RM1.9 million) which is to be satisfied by GTRH issuing 11.4% equity stake in GTRH equivalent to 1,919,299 ordinary shares at an issue price of RM1 each to SATS and which was negotiated on an arm's length basis.
- 3.5 The consideration for the acquisition of 38.6% equity stake in GTRH by SATS from AirAsia under the SSA is S\$119.3 million (RM372.2 million) which is to be satisfied in cash by SATS and which was negotiated on an arm's length basis.

**Corporate structure of GTRH and GTR Malaysia before and after the completion of the proposed transactions**

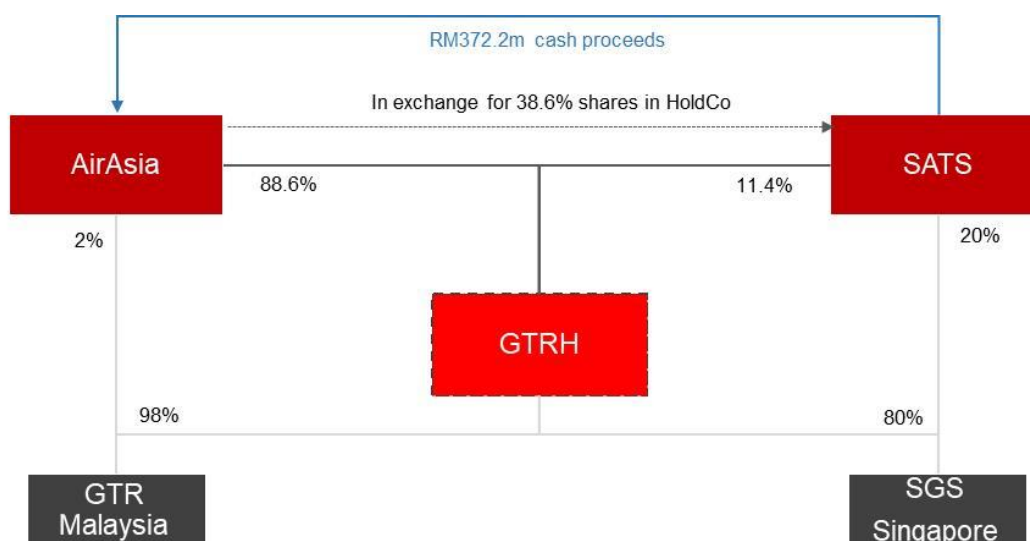
**Prior to the proposed transaction**



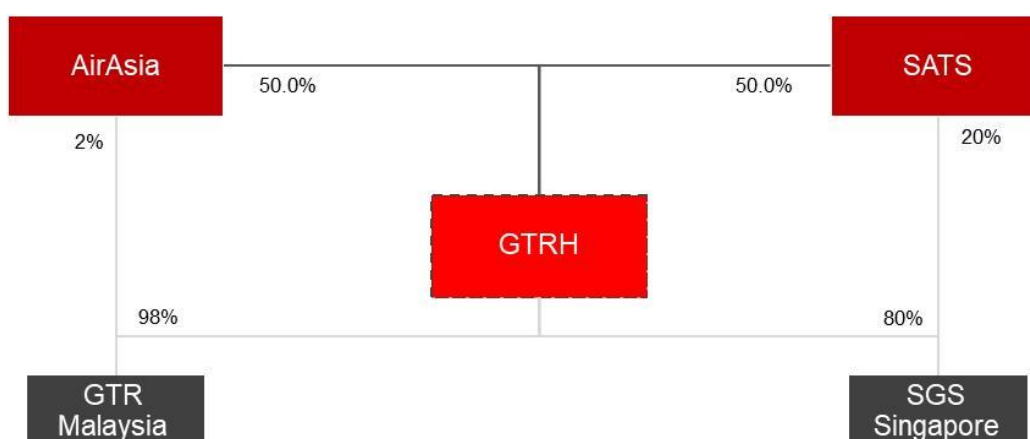
**GTRH acquires 98% equity stake in GTR Malaysia and 80% equity of SGS Singapore in exchange for 88.6% and 11.4% equity stake in GTRH for AirAsia and SATS respectively**



## SATS acquires 38.6% equity stake of GTRH from AirAsia



## Corporate structure after the proposed transaction



## 4 RATIONALE FOR THE TRANSACTIONS

The partnership with SATS will foster greater efficiency and cost savings to AirAsia's ground handling operations. This will facilitate growth of AirAsia, with SATS bringing in the necessary expertise and skills set to create a synergy which will enhance the ground handling business. The joint venture forms part of the broader effort of AirAsia to reorganise and streamline its businesses, therefore contributing to AirAsia's further expansion in the market.

## 5 FINANCIAL EFFECTS OF THE TRANSACTIONS

It is anticipated that these Transactions will result in AirAsia realising a gain on disposal of RM365.7 million in Q4 2017. The cash balance of AirAsia will increase by RM372.2 million following the sale.

The Board does not foresee additional material risk in relation to the Transactions.

## **6 APPROVAL REQUIRED**

The value of the Transactions would not breach the 25% percentage ratio prescribed under the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements. As such, the Transactions will not require the approval of AirAsia’s shareholders.

## **7 DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS**

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

## **8 STATEMENT BY THE DIRECTORS**

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

## **9 HIGHEST PERCENTAGE RATIO APPLICABLE TO THE TRANSACTIONS**

The highest percentage ratio applicable to the Transactions pursuant to paragraph 10.02(g) of the Bursa Malaysia Main Market Listing Requirements is 5.61%.

## **10 COMPLETION OF THE TRANSACTION**

The Transactions are expected to be completed by end of November 2017.

## **11 DOCUMENTS AVAILABLE FOR INSPECTION**

The Share Swap Agreement and SSA are available for inspection at the registered office of AirAsia 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 Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is made on 30 October 2017.