

TRANSACTION (CHAPTER 10 OF LISTING REQUIREMENTS): RELATED PARTY TRANSACTION
Subject: Capital A Berhad (“Capital A” or the “Company”) – PASSENGER CHARTER AND ANCILLARY SERVICES AGREEMENT BETWEEN AIRASIA BERHAD AND AIRASIA X BERHAD

1. INTRODUCTION

The Board of Directors of Capital A wishes to announce that AirAsia Berhad (“AAB”), a wholly owned subsidiary of the Company, has on 2 November 2023, entered into a Passenger Charter and Ancillary Services Agreement (“Agreement”) with AirAsia X Berhad (“AAX”) where AAX will perform passenger charter and ancillary services in relation to the charter of the Malaysian Battalion 850 UNIFIL (MALBATT) to Beirut, Lebanon for the total contract value of RM 29,703,600.00 and subject to the terms and conditions as stipulated in the Agreement. (“Transaction”)

In view of the interests of certain directors and shareholders of the Company as set out in Section 9 of this announcement, the transaction is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad. (“Bursa Securities”)

2. DETAILS OF THE TRANSACTION

AAB was officially awarded the tender for the charter operation for a period of three (3) years {1 October 2023 to 30 September 2026 (both dates inclusive)} by the Government of Malaysia as represented by the Ministry of Defence (“MINDEF”). According to the letter of acceptance, AAB shall operate a total of twelve (12) return charter flights four (4) times yearly, from Pangkalan TUDM (Royal Malaysian Air Force’s base) in Subang (“TUDM Subang”) to Beirut, Lebanon and vice versa. The letter also includes ancillary services such as providing accommodation and “Door to Door” services to move the MALBATT forces and civilian personnel including baggage and cargo from their respective bases in Kuantan, Pahang and Port Dickson, Negeri Sembilan to TUDM Subang and vice versa.

With the written consent obtained from MINDEF, AAB intends to appoint AAX to provide the charter services based on back-to-back scope of services and arrangement with the agreement between AAB and MINDEF.

3. INFORMATION OF AAX

AAX was incorporated in Malaysia on 19 May 2006, and is providing mid-range air transportation services. With its breakthrough business model, it has the lowest unit cost base which enables it to stimulate new market demand.

The total issued and paid-up share capital of AAX is RM51,534,045.95 comprising 447,072,803 ordinary shares.

As at the date of this announcement, the directors and major shareholders of AAX are as follows:

Directors

Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin
Dato' Fam Lee Ee
Datuk Kamarudin Bin Meranun
Tan Sri Asmat Bin Kamaludin
Encik Ahmad Al Farouk Bin Ahmad Kamal
Ms Chin Min Ming
Dato' Abdul Mutalib Bin Alias
Dato' Sri Mohammed Shazalli Bin Ramly

Substantial/Major Shareholders

	Direct		Indirect	
	No. of shares	%	No. of shares	%
AAB	57,072,850	12.76	-	-
Tune Group Sdn. Bhd.	73,960,286	16.54	-	-
Datuk Kamarudin Bin Meranun	37,070,993	8.29	131,033,136 ⁽¹⁾	29.31
Tan Sri Anthony Francis Fernandes	11,130,372	2.49	131,033,136 ⁽¹⁾	29.31

Notes:

⁽¹⁾ Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Tune Group Sdn. Bhd. and AAB.

4. SALIENT TERMS OF THE AGREEMENT

No.	Key Terms	Details
1.	Effective Period of Agreement	1 October 2023 to 30 September 2026 (both dates inclusive)
2.	Frequency of Operations per Year	Four (4) times per year, tentatively within October/November
3.	Contract Sum	<p>Ringgit Malaysia Twenty Nine Million Seven Hundred Three Thousand and Six Hundred (RM 29,703,600.00) with the following breakdown:</p> <p>(a) charter services - Ringgit Malaysia Nineteen Million Two Hundred Twenty Four Thousand (RM19,224,000.00) (as this is an international destination charter, SST is not chargeable per the SST guidelines); and</p> <p>(b) ancillary services - Ringgit Malaysia Ten Million Four Hundred Seventy Nine Thousand and Six Hundred (RM10,479,600.00), exclusive of 6% SST.</p>
4.	Commission to AAB	Three per cent (3%) of the Contract Sum, amounting to Ringgit Malaysia Eight Hundred Ninety One Thousand and One Hundred Eight (RM 891,108.00)
5.	Payment Terms	<p>(a) The Contract Sum will be paid in the course of three (3) years. Upon completion of each yearly operation of the charter operation (i.e., after the 4th charter operation in a year), AAX shall provide an invoice to AAB for the relevant amount payable for the four (4) operations in that particular year.</p> <p>(b) Further, AAB shall also provide an invoice for the three per cent (3%) commission amount upon completion of the yearly operation of the charter operation.</p>

No.	Key Terms	Details
		(c) Within thirty (30) days of receipt of the respective invoices, both parties shall make payment of the amount invoiced to the other party.
6.	Indemnity	<p>AAX shall fully indemnify AAB from and against all claims of every kind:</p> <p>(a) resulting from any accident, damage, loss, injury, or death to any persons or property, insofar as they result solely from or is contributed by any act, omission, default or negligence of AAX or any of its agents, servants and/or employees in providing the services. AAB shall have no responsibility or liability whatsoever in relation to such accident, damage, injury, or death unless its actions or omissions contribute to the occurrence of these events; and</p> <p>(b) which is brought against AAB by MINDEF for any breach of or relating to the agreement between AAB and MINDEF for the charter operation as a consequence of AAX's action, omission, material breach, or negligence in providing the services.</p> <p>Notwithstanding the above, AAX shall not be required to indemnify AAB for any portion of any liability arising from AAB's breach of the Agreement, negligence or willful misconduct.</p>
7.	Termination	<p>Termination of the charter operation Agreement between AAB and MINDEF</p> <p>The Agreement will be terminated automatically if the agreement between AAB and MINDEF terminates for any reason whatsoever.</p> <p>Termination for Default or Insolvency</p> <p>AAB or AAX may terminate the Agreement immediately by notice if:</p> <p>(a) the other party is in material breach of the terms of the Agreement which is incapable of being remedied, or if not capable of remedy, fails to be remedied within thirty (30) days of written notice from the non-defaulting party;</p> <p>(b) the other party is under an insolvency event which includes having a receiver or administrator appointed, enters into liquidation, commits an act of bankruptcy, ceases trading, or any event occurring under the applicable laws having an effect equivalent to the foregoing events.</p>

5. EFFECTS OF THE TRANSACTION

The Transaction will not have any material financial impact on the Company and/or its subsidiaries (“Group”) in the financial year ending 31 December 2023 nor will it have any effect on the share capital and substantial shareholders' shareholdings of the Company. It is also not expected to have a material effect on the net assets per share, earnings per share and gearing of the Group for the financial year ending 31 December 2023.

6. RISKS FACTORS

The financial risks associated with the Transaction are expected to be limited to the contract value. There is no other risk associated with the Transaction.

7. RATIONALE AND BENEFITS OF THE TRANSACTION

The contract award to AAB was made pursuant to a tender process organised by MINDEF and was open for all Malaysian carriers to participate. One of the requirements to participate in the tender is that the carrier must possess a valid registered account with the Ministry of Finance (“MOF”). As AAX does not have a valid account with MOF, the tender was submitted by AAB based on AAX's pricing.

The benefits of the transaction are as follows:

(a) Continuous Brand Elevation

AAB will continue to be a major service provider to MINDEF for their air transportation services in moving their army personnel within Malaysia and from Malaysia to other international destinations.

(b) Current/Future Contracts

MINDEF has awarded AAB for the past several years the contract to transport army personnel from Peninsular Malaysia to Sabah/Sarawak vice versa, services within Sabah/Sarawak, and special charter for army operations.

With this new charter operation being awarded to AAB, AirAsia in general will be able to gain more exposure and will further attract the army personnel to use AirAsia's services on their duty and personal travels.

8. PERCENTAGE RATIO

The highest percentage ratio applicable to this Transaction is 0.87% and the highest aggregated percentage ratio for all transactions between the Company and the Related Parties and/or persons connected with them pursuant to Paragraph 10.08(1) and 10.12(1) of the Listing Requirements of Bursa Securities is 1.32%.

9. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the directors and/or major shareholders of the Company and/or persons connected with them have any interest, whether directly or indirectly, in the Transaction.

- (a) Tan Sri Anthony Francis Fernandes is deemed interested via his direct and indirect interest in Tune Group Sdn. Bhd. and AAB, being the major shareholders of AAX, pursuant to Section 8 of the Companies Act 2016; and

- (b) Datuk Kamarudin Bin Meranun, is deemed interested via his direct and indirect interest in Tune Group Sdn. Bhd. and AAB, being the major shareholders of AAX, as well as his directorships in AAB and AAX, pursuant to Section 8 of the Companies Act 2016.

Tan Sri Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun are deemed interested in the Transaction (“Related Parties”) and they have abstained from all Board and management deliberations in respect of the Transaction.

As at the date of this announcement, the direct and indirect shareholdings of Related Parties’ in Capital A are as set out in the table below:

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri Anthony Francis Fernandes	1,600,000	0.04	1,025,485,082 ⁽¹⁾	24.33
Datuk Kamarudin Bin Meranun	2,000,000	0.05	1,025,485,082 ⁽¹⁾	24.33

Notes:

- ⁽¹⁾ Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Tune Air Sdn. Bhd. and Tune Live Sdn. Bhd.

10. AUDIT COMMITTEE STATEMENT

The Audit Committee, after having considered all the relevant factors in respect of the Transaction, is of the view that the Transaction is in the best interest of the Company, as the Agreement is entered under fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders of the Company.

11. DIRECTORS’ STATEMENT

The Directors’, save as the Related parties, having considered all the relevant factors in respect of the Transaction and the recommendation of the Audit Committee, is of the view that the Transaction is in the best interest of the Company, as the Agreement is entered under fair, reasonable, normal arm’s length commercial terms and is not detrimental to the interest of the minority shareholders of the Company.

12. APPROVALS REQUIRED

The Transaction is not subject to the shareholders’ approval and approval of any government authorities.

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 is RM360,546.79.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement is available for inspection at the registered office of the Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor, 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 2 November 2023.