

AIRASIA BERHAD (“AIRASIA” OR THE “COMPANY”)

PROPOSED TRANSACTION INVOLVING PT INDONESIA AIRASIA

For the purpose of this announcement, the following definitions shall apply to currencies:

IDR : Indonesia Rupiah
RM : Ringgit Malaysia
USD : United States Dollar

1. INTRODUCTION

The Board of Directors of AirAsia (“**Board**”) is pleased to announce that the Company and its wholly-owned subsidiary AirAsia Investment Limited (“**AAIL**”) has today executed multiple agreements to partially dispose and subsequently convert its perpetual securities investments in PT Indonesia AirAsia (“**IAA**”) into new shares in PT Rimau Multi Putra Pratama TBK (“**RMPP**”), a company listed on the Indonesia Stock Exchange (“**IDX**”) where RMPP shall be the new holding company of IAA (“**Proposed Transaction**”).

The agreements executed are as follows:

- (i) Conditional Sale of Perpetual Capital Securities Agreement dated 29 August 2017 between AirAsia and AAIL (“**AirAsia-AAIL CSPA**”);
- (ii) Conditional Sale of Perpetual Capital Securities Agreement dated 29 August 2017 between AirAsia and PT Fersindo Nusaperkasa (“**FNP**”) (“**AirAsia-FNP CSPA**”);
- (iii) Pledge Agreement over Perpetual Capital Securities dated 29 August 2017 between AirAsia and FNP; and
- (iv) Conditional Standby Buyer Agreement dated 29 August 2017 between RMPP, AAIL and FNP;

((i) to (iv) above are collectively known as the “**Agreements**”)

Further details of the Agreements and the Proposed Transaction are set out in the ensuing sections of this announcement.

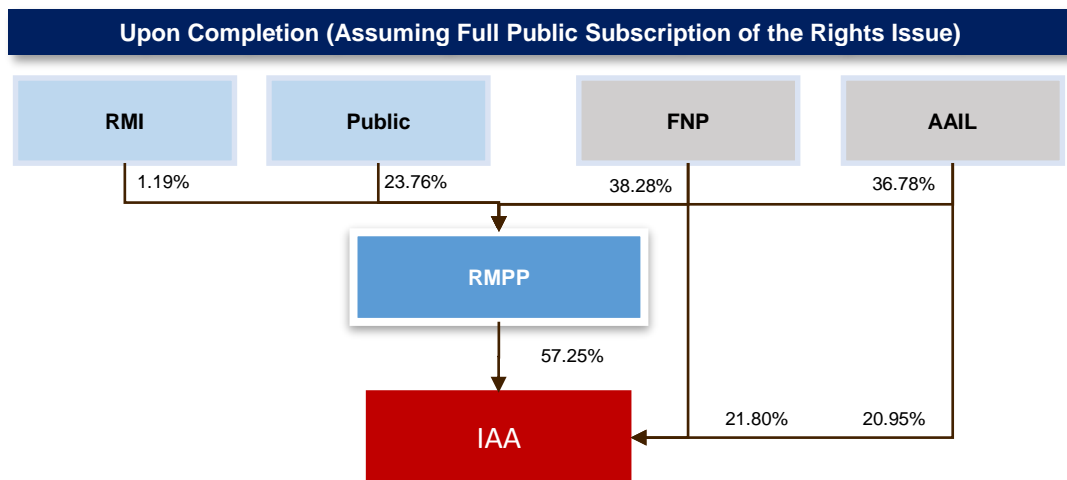
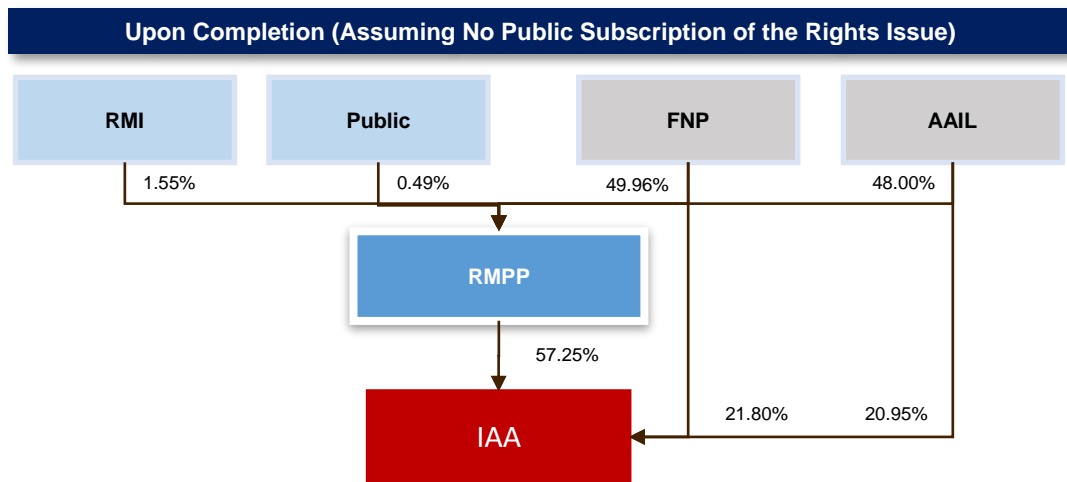
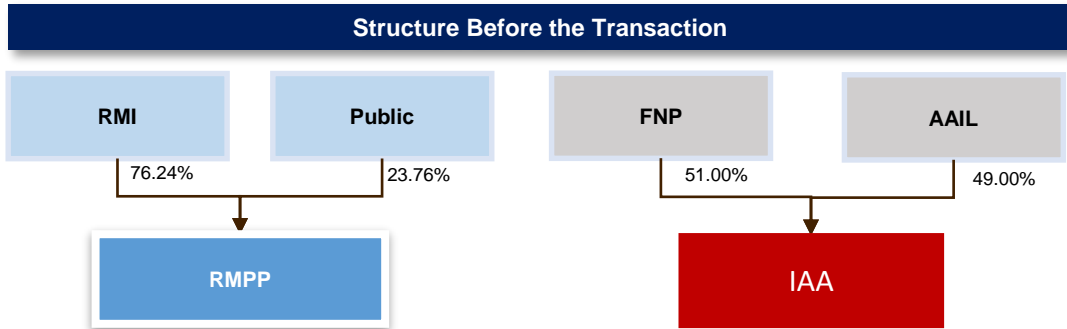
2. DETAILS OF THE PROPOSED TRANSACTION

The Proposed Transaction involves the partial disposal and subsequent conversion of perpetual capital securities issued by IAA (“**IAA Perpetual Securities**”) where the respective parties had on 29 August 2017 entered into the Agreements which entails the following:

- (i) Each of FNP and AAIL will respectively participate in the rights issue of RMPP, which is conducted in accordance with the applicable Indonesian capital market laws and regulations (“**Rights Issue**”), by way of acting as the standby purchasers in the Rights Issue where PT Rimau Multi Investama (“**RMI**”) as the existing major shareholder of RMPP will fully disclose in the prospectus of the Rights Issue that it would not exercise its rights received from the Rights Issue. On or about the allotment date, each of FNP and AAIL will subscribe for the remaining unsubscribed rights shares offered in the Rights Issue after allotment for an amount up to 10,404,000,000 ordinary shares satisfied by non-cash consideration, by way of transferring the IAA Perpetual Securities owned by FNP and AAIL of IDR2,601,000,000,000 in nominal value to RMPP, which accordingly FNP and AAIL together will own up to 97.96% equity interests in RMPP; and

- (ii) Upon completion of the Rights Issue, RMPP will convert the IAA Perpetual Securities received from FNP and AAIL from the Rights issue, into equity of IAA (the “**Conversion**”). For the purpose of the Conversion, IAA will increase its authorised, issued and paid-up capital and issue up to 241,060 new common shares (the “**IAA New Shares**”) to RMPP and then RMPP will subscribe the IAA New Shares in respect of the Conversion.

2.1 Corporate Structure of IAA before and after completion of the Proposed Transaction



3. DETAILS OF THE AGREEMENTS

3.1 AIRASIA-AAIL CSPA

Signing Parties	:	AirAsia and AAIL
Purpose	:	Sale of IAA Perpetual Securities at the nominal value of IDR1,274,490,000,000 to AAIL, a wholly-owned subsidiary of AirAsia
Salient terms of the AAIL CSPA	:	<ol style="list-style-type: none">The sale shall involve a combination of two (2) series of IAA Perpetual Securities:<ul style="list-style-type: none">IDR731,490,000,000 perpetual securities issued by IAA on 29 September 2015 (“Series 1”); andIDR543,000,000,000 perpetual securities issued by IAA on 15 December 2016 (“Series 2”).AAIL shall use the IAA Perpetual Securities to subscribe in the rights issue of RMPP by way of in-kind contribution.
Governing Law	:	Law of Malaysia
Arbitrary	:	Singapore International Arbitration Centre

3.2 AIRASIA-FNP CSPA

Signing Parties	:	AirAsia and FNP
Purpose	:	Sale of IAA Perpetual Securities at the nominal value of IDR1,326,510,000,000 to FNP
Rationale	:	<ul style="list-style-type: none">Repayment visibility from FNP in place of holding the IAA Perpetual Securities where there was no obligation for to redeem the IAA Perpetual SecuritiesSecured scheduled repayment at 6.0% per annum, in line with AirAsia’s advances to associates interest of 6.00% - 6.65%
Salient terms of the FNP CSPA Perpetual	:	<ol style="list-style-type: none">The sale shall only involve Series 1 of the perpetual securities;FNP shall concurrently enter into the Pledge Agreement as detailed out in Clause 3.3 below;FNP shall use the IAA Perpetual Securities to subscribe in the rights issue of RMPP by way of in-kind contribution;FNP agrees to the repayment terms with a tenor of 10 years and 6% interest rate per annum from the date of the agreement;Principal repayment to be done annually with a grace period of 24 months; andAny unpaid principal or interest shall accrue over the period of the tenor with no penalty or additional default interest imposed.
Governing Law	:	Law of the Republic of Indonesia
Arbitrary	:	Singapore International Arbitration Centre

3.3 Pledge Agreement over Perpetual Capital Securities dated 29 August 2017 between AirAsia and FNP (“Pledge Agreement”)

Signing Parties	:	AirAsia and FNP
Purpose	:	Pledging of IAA Perpetual Securities at nominal value of IDR 1,326,510,000,000 to secure the payment from FNP to AirAsia
Salient terms of the Pledge Agreement	:	<ol style="list-style-type: none"> 1. AirAsia shall release the pledge over IAA Perpetual Securities upon the issuance of notification letter from RMPP or its share registrar which sets out the number of shares to be subscribed by FNP as standby buyer under the rights issue of RMPP and the execution of pledge agreement over shares in RMPP to be acquired by FNP. 2. FNP shall not be allowed to sell the IAA Perpetual Securities or RMPP shares within the first 24 months from the date of agreement (“Moratorium”); 3. The Moratorium could be lifted should there be any withdrawal of the Indonesian Law No. 25/2007 which designates that any foreign shareholders cannot hold more than the largest shareholder in an airline company in Indonesia (“Single Majority Rule”); 4. The cash generated by the sale shall be wholly applied to pay the past interest, past principal and the balance of the principal amount (in that order) in the event of a sale by FNP; 5. FNP shall not receive any sales proceeds until and unless the entire amount of the principal and interest have been fully settled; and 6. The pledge over IAA Perpetual Securities or RMPP shares remains so long as the payment for IAA-FNP Perpetual Securities remains subsisting and FNP shall refrain from declaring and paying out discretionary dividend or bonus.
Governing Law	:	Law of the Republic of Indonesia
Arbitrary	:	Singapore International Arbitration Centre

3.4 Conditional Standby Purchase Agreement dated 29 August 2017 (“CSPA”)

Signing Parties	:	RMPP, AAIL and FNP
Purpose	:	<ol style="list-style-type: none"> 1 RMPP will conduct a rights offering of up to 13,646,388,139 new Rights Shares of RMPP at a nominal value of IDR250 per share on the basis of 23,818 new RMPP rights shares for every 377 existing RMPP shares held where the subscription price for one (1) rights share is IDR250; and 2 FNP and AAIL has been appointed by RMPP as the standby purchasers to subscribe up to 10,404,000,000 Rights Issue shares.
Salient terms of the CSPA	:	<ol style="list-style-type: none"> 1. FNP and AAIL shall subscribe for their respective RMPP shares as follows: <ol style="list-style-type: none"> (i) FNP will subscribe for up to 5,306,040,000 RMPP shares at a consideration of IDR1,326,510,000,000; and (ii) AAIL will subscribe for up to 5,097,960,000 RMPP shares at a consideration of IDR1,274,490,000,000. 2. FNP and AAIL shall respectively satisfy the consideration by way of in-kind contribution; 3. AirAsia to complete the transfer of IAA Perpetual Securities to FNP and AAIL; and 4. Obtain RMPP’s shareholders approval in an Extraordinary General Meeting to be conducted on 6 October 2017.
Governing Law	:	Law of the Republic of Indonesia
Arbitrary	:	Singapore International Arbitration Centre

Upon completion of the Rights Issue, RMPP shall own a total amount of IDR2,601,000,000,000 IAA Perpetual Securities to be converted into up to 241,067 of IAA newly issued common shares at a minimum nominal value of at least IDR10,789,550 per IAA share (equivalent to up to 57.25% of equity interest in IAA).

3.5 Information on AAIL

AAIL was incorporated on 11 September 2003 as a Labuan Company under the Labuan Companies Act 1990 under the name AA International Limited, and had on 18 November 2011 changed its name to AirAsia Investment Limited.

The principal activities of AAIL is investment holding.

As at 31 December 2016, the issued and paid-up share capital of AAIL is USD5,270,000.00 or RM22,608,300 comprising 5,270,000 ordinary shares (based on exchange rate of USD 1 : RM4.29).

Based on the financial statements of AAIL for the financial year ended (“FYE”) 31 December 2016, the net profit and net assets of AAIL is USD17,080,999 or RM73,277,486 and USD66,506,939 or RM285,314,768, respectively.

AAIL is a wholly-owned subsidiary of AirAsia. The board of directors of AAIL and their respective shareholdings in AAIL as at 31 December 2016 are as follows:

Director	Designation	Nationality	<----- Direct ----->		<----- Indirect ----->	
			No. of ordinary shares	%	No. of ordinary shares	%
Tan Sri (Dr.) Anthony Francis Fernandes	Director	Malaysian	-	-	5,270,000 ⁽¹⁾	100.0
Dato' Kamarudin Bin Meranun	Director	Malaysian	-	-	5,270,000 ⁽¹⁾	100.0

Note:

1. Deemed interested by virtue of his indirect shareholdings in AirAsia.

3.6 Information on FNP

FNP was incorporated on 18 February 1992 as a limited liability company duly established and validly existing under the laws of the Republic of Indonesia under the name of PT Fersindo Nusaperkasa.

The principal activities of FNP are in wholesale trade of heavy machinery and other equipment.

As at 31 January 2017, the issued and paid-up share capital of FNP is IDR42,200,000,000 or equivalent with RM13,504,000 comprising of 422,000,000 shares (based on exchange rate being IDR 100 : RM0.032).

Based on the unaudited financial statements of FNP for the FYE 31 December 2016, the net profit and net assets of FNP is IDR0 and IDR42,200,000,000 or RM13,504,000, respectively.

3.7 Information on IAA

IAA was incorporated in on 6 December 1999 as a limited liability company duly established and validly existing under the laws of the Republic of Indonesia.

IAA is principally engaged in commercial air transport services.

Currently, AAIL, a wholly owned subsidiary of AirAsia, and FNP each hold 49% and 51% equity interest respectively in IAA.

As at 31 December 2016, the issued and paid-up share capital of IAA is IDR180,000,000,000 or RM57,900,080 comprising 180,000 ordinary shares of IDR1,000,000 each (based on exchange rate being IDR 100 : RM0.032).

Based on the audited financial statements of IAA for the financial year ended (“FYE”) 31 December 2016, the net profit and net assets of IAA is IDR66,119,488,314 or RM21,158,236 and IDR459,399,735,493 or RM147,007,915 respectively (based on the exchange rate of IDR 100 : RM0.032).

3.8 Information on RMPP

RMPP was incorporated on 25 July 1989 as a limited liability company duly established and validly existing under the laws of the Republic of Indonesia under the name of PT Centris Multipersada Pratama, and had on 20 June 2014 changed its name to PT Rimau Multi Putra Pratama Tbk.

The principal activities of RMPP are in transportation, warehouse, industry and general trade.

As at 30 June 2017, the issued and paid-up share capital of RMPP is IDR54,000,000,000 or equivalent to RM17,280,000 comprising of 216,000,000 shares (based on the exchange rate of IDR 100 : RM0.032).

Based on the audited financial statements of RMPP for the FYE 31 December 2016, the net profit and net assets of RMPP is IDR4.06 billion or RM1.299 million and IDR33.19 billion or RM10.621 million, respectively.

4. RATIONALE FOR THE TRANSACTION

The Proposed Transaction has been mooted for the following reasons:

i. Support the financing needs of AirAsia Group’s growth ambition in Indonesia through the Capital Markets

Indonesia is expected to be the sixth largest market for air travel by 2035 with 242 million passengers are expected to fly to, from and within the country which is three times the size of today’s market.

In view of the exponential growth of Indonesia, AirAsia has ambitious plans to grow IAA significantly with the vision to double the fleet size by 2020. The growth of IAA would provide the following benefits to the Company and AirAsia Group:

- Extended leverage on AirAsia brand and distribution presence;
- Strengthen AirAsia Group commercial and operational economies of scale; and
- Ability to feed traffic between South East Asia and Indonesia domestic network and vice versa.

The completion of the Proposed Transaction will provide IAA direct access to the equity and debt capital markets for future fund raising and provide AirAsia Group with the financial flexibility to pursue growth opportunities in the region and beyond.

ii. **Improve the visibility, transparency and public accountability of IAA to the passengers**

In line with IAA's growth ambitions, there is increasing need to address to the transparency and public accountability of airlines in Indonesia. As public companies, the airlines must be transparent and increase their performance to service the passengers.

Additionally, as part of AirAsia Group's "ASEAN" airline vision, the completion of the Proposed Transaction will also increase the visibility of IAA and AirAsia Group as a whole as the World's Best Low-Cost Carrier and enhance our profile as the "ASEAN" airline and subsequently widen the reach to market our offerings and grow our market position in the ASEAN region.

iii. **Unlock the Value of IAA**

The Proposed Transaction will enable AirAsia to unlock the value of our investments in IAA. This is expected to enhance the value for our shareholders when IAA becomes a direct subsidiary of RMPP, a listed company on the IDX. AirAsia's direct shareholdings in RMPP will be up to 48.00% and effective shareholdings in IAA will be up to 48.43%.

5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Indonesian economy

Bank Indonesia predicts stronger economic growth in 2017. Investment is expected to pick up on the back of ongoing government-led infrastructure development projects, together with more private investment. Bank Indonesia predicts exports to grow on rising prices of international commodity that represent the major export products from Indonesia. In terms of consumption, higher incomes, accompanied by low and controlled inflation, will continue to support tenacious domestic demand in 2017. The leading domestic economic sectors are projected to continue accelerating and remain the main economic drivers.

In general, economic growth in Indonesia in 2017 is expected to outstrip that achieved in 2016, namely in the range of 5.0-5.4%. Furthermore, in line with the expected escalation of economic activities and impact of monetary and macro prudential policy easing previously instituted by Bank Indonesia, credit growth are expected to accelerate in 2017 to around 10-12% and 9-11% respectively.

(Source: Bank Indonesia – Monetary Policy Report, Quarter IV 2016)

5.2 Overview and outlook of the Indonesian aviation industry

Indonesia remains to be Southeast Asia's largest market despite hampered by growth slowdown in the past four years due to a combination of economic, regulatory and infrastructure issues – after the very rapid growth experienced in the period 2008 to 2012.

The slowdown is expected to be temporary as the International Air Transport Association ("IATA") earmarks Indonesia as the five fastest-growing markets globally with an addition of 135 million new passengers over the next 20 years for a total size of 242 million passengers.

5.3 Prospects of IAA

Following operational and regulatory challenges in the past 2 years, IAA is reaping benefits from its turnaround efforts by emerging profitable for the first time since 2012 in the financial year ended 31 December 2016. This was particularly significant with a challenging macro-environment that included heightened competition, industry slowdown as well as slower economic growth in Indonesia.

Moving forward, IAA is expected to resume its growth ambition by doubling its fleet count by 2020. As the leading carrier in international routes, IAA's comprehensive network has allowed it to capture a sizeable portion of Indonesia's aviation market. IAA will also be able to leverage on its strong partnership with the rest of AirAsia Group which provides access to unique profitable opportunities, allowing it to capture market share as well as attracting new passengers.

6. RISK FACTORS

6.1 The completion of the Rights Issue is subject to approval from RMPP's shareholders

Pursuant to the applicable Indonesian capital market laws and regulations, the Rights Issue requires approval from RMPP's shareholders. In the event that the Rights Issue fail to get approval from RMPP's shareholders, AirAsia can not proceed with the Proposed Transaction.

6.2 The completion of the Rights Issue is subject to the issuance of effective statement from Financial Services Authority (Indonesia) ("OJK")

Pursuant to the applicable Indonesian capital market laws and regulations, the Rights Issue requires the issuance of effective statement from OJK. In the event that the Rights Issue fail to get effective statement from OJK, AirAsia can not proceed with the Proposed Transaction.

6.3 RMI and/or Public, as shareholders of RMPP, may exercise their rights

FNP and AAIL will only subscribe for the remaining unsubscribed rights shares offered in the Rights Issue after allotment at for an amount up to 10,404,000,000 rights shares. In the event that RMI and/or Public, as shareholders of RMPP, exercise their rights, it will decrease the number of shares that can be subscribed by FNP and AAIL and/or dilute FNP and AAIL ownership in IAA.

6.4 The issuance of new shares by IAA will subject to approval from shareholders of IAA, Ministry of Transportation, and Indonesian Investments Coordinating Board ("BKPM")

Pursuant to the applicable Indonesian commercial air transport laws and regulations, the issuance of new shares by IAA will require approval from shareholders of IAA, Ministry of Transportation, and BKPM. In the event that IAA fail to get those approval, AirAsia can not proceed with the Proposed Transaction.

7. EFFECTS OF THE TRANSACTION

7.1 Issued and paid-up share capital

The Proposed Transaction will not have any effect on the issued and paid-up share capital of AirAsia as it does not involve any new issuance of AirAsia Shares.

7.2 Income Statements

Total gain from the Proposed Transaction will be approximately MYR230.4 million, mainly attributable to the following:

- Reversal of impairment previously recorded in AAB – RM207.5 million
- Foreign exchange gain from the depreciation of MYR – RM22.9 million

7.3 Net Assets (“NA”), NA per share and gearing

Based on the audited consolidated statement of financial position of AirAsia group as at 31 December 2016 the pro forma effects of the sale of the IAA Perpetual Securities to FNP and AAIL (“**Sale of IAA Perpetual Securities**”) and the Proposed Transaction on the consolidated NA and gearing of AirAsia group are as follows:

	Audited as at 31 December 2016 (RM'000)	⁽¹⁾ Adjustment for subsequent events (RM'000)	After the Proposed Transaction & the Sale of IAA Perpetual Securities
Share capital	278,297	2,515,438	2,515,438
Share premium	1,230,941	-	-
Treasury shares	(160)	(160)	(160)
Foreign exchange reserve	46,993	46,993	46,993
Retained earnings	5,294,468	4,893,431	5,123,867
Other reserves	(217,554)	(217,554)	⁽²⁾ (217,554)
	6,632,985	7,238,148	7,468,584
Non-Controlling Interests	(5,206)	(5,206)	⁽³⁾ 190,167
NA/Shareholders' fund	6,627,779	7,232,942	7,658,752
Number of ordinary shares	2,782,974,080	3,341,974,080	3,341,974,080
NA per share (RM)	2.38	2.16	2.29
Total borrowings (RM'000)	10,579,142	10,579,142	10,579,142
Gearing	1.60	1.46	1.38

Note(s):-

(1) After taking into consideration the following:-

(i) Private placement of 559,000,000 AirAsia Shares on 26 January 2017 for RM1.80 per AirAsia Share;

(ii) With effect from 31 January 2017, the concept of “par value” was abolished under the new Act. The amount standing to the credit of the Company’s share premium account is assumed to have become part of the Company’s share capital as at that date.

(iii) Distribution of approximately RM401.04 million on 23 June 2017 as final dividend for the financial year ended 31 December 2016.

(2) Increase in Retained Earnings of approximately RM230.4 million (based on the exchange rate RM1:IDR3,037) after taking into consideration the gain on disposal of the IDR1,326,510,000,000 in nominal value of the IAA Perpetual Securities to FNP as a result of the foreign exchange gain and gain on disposal of the IAA Perpetual Securities/write back of provisions for impairment.

(3) Increase in Non-Controlling Interests of approximately RM195.4 million as a result of the sale of the IDR1,326,510,000,000 nominal value of the IAA Perpetual Securities to FNP.

7.4 Earnings and earnings per share (“EPS”)

With the completion of the Proposed Transaction, the adjusted EPS for the financial year ended 2016 will be 68.2 sen.

7.5 Substantial shareholders’ shareholdings

The Proposed Transaction will not have any effect on the substantial shareholders’ shareholdings in AirAsia as it does not involve any new issuance of AirAsia Shares.

8. APPROVALS REQUIRED

The Proposed Transaction is subject to and conditional upon approvals being obtained from the following:

- (i) Approval from RMPP’s shareholders;
- (ii) Approval from the Minister of Law and Human Rights on the increase of capital of RMPP;
- (iii) Approval from OJK;
- (iv) Approval from BKPM for the change composition of capital of IAA and change of composition of shareholders in IAA;
- (v) Approval from or notification to Minister of Transportation for the change of composition of shareholding in IAA, if required; and
- (vi) Any necessary corporate approvals required to be obtained by RMPP to enter into and perform the Proposed Transaction, including but not limited to, an extraordinary general meeting of the IAA’s shareholders.

The Proposed Transaction is not conditional upon any other corporate proposals or schemes of AirAsia and/or AAIL.

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

None of the Directors and/or major shareholders of AirAsia and/or persons connected to them have any interest, direct or indirect, in the Proposed Transaction.

10. PERCENTAGE RATIO PURSUANT TO PARAGRAPH 10.02(G) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (“LISTING REQUIREMENTS”)

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the AirAsia–FNP CSPA, AAIL’s non-cash consideration of IDR1,274,490,000,000 in nominal value of the IAA Perpetual Securities for the Rights Issue (“**AAIL Rights Issue Consideration**”) and the RMPP shares to be issued to AAIL following the AAIL Rights Issue Consideration on an aggregated basis is 18.81%.

11. DIRECTORS' RECOMMENDATION

The Board, having taken into consideration all aspects of the Proposed Transaction including but not limited to the rationale, prospects, risk factors and effects of the Proposed Transaction, and after careful deliberation, is of the opinion that the Proposed Transaction is in the best interest of the Company.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Transaction is expected to be completed by the 4th Quarter of 2017.

13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreements 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 office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 29 August 2017.