

## **Bursa Announcement**

**Subject: AirAsia Berhad (“AirAsia”) subscription of 40% equity stake in Tune Money Sdn Bhd (“Tune Money”) and Commercial Agreement and Merchant Agreement with Tune Money**

### **Contents:**

#### **1. Introduction**

Pursuant to Paragraph 10.08(1) of the of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors (“Board”) of AirAsia Berhad (“AirAsia” or “the Company”) wishes to announce that the Company has entered into a Shareholders’ Agreement (“SHA”) with Tune Money International Sdn Bhd (“TMI”) and Tune Money, and a Subscription Agreement (“SSA”) with Tune Money, both on 26 January 2015 for the subscription of 54,000,000 new ordinary shares of RM0.10 each (“Shares”) representing 40% equity interest in the enlarged issued and paid-up share capital of Tune Money for a cash consideration of RM10 million or approximately RM0.185 per share (collectively “the Transaction”) from its internal generated funds.

AirAsia would also like to announce that the Company has entered into a Commercial Agreement and Merchant Agreement (collectively known as “CA”) with Tune Money on the even date for the sale and distribution of prepaid card products developed by Tune Money to be targeted and marketed to, amongst others, the AirAsia customers.

#### **2. Information on the entities**

##### **2.1 Tune Money**

Tune Money is a private limited liability company incorporated in Malaysia under the Companies Act, 1965 with its registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan and has an authorised share capital of RM100,000,000 divided into 900,000,000 ordinary shares of RM0.10 each and 100,000,000 irredeemable convertible preference shares of RM0.10 each, of which 81,000,000 ordinary shares of RM0.10 each have been issued and fully paid-up.

The principal activity of Tune Money is the provision, issuance and operation of prepaid cards, having obtained regulatory approval from Bank Negara Malaysia (“BNM”) to issue electronic money in the form of prepaid cards as a payment instrument. Tune Money was a wholly-owned subsidiary of TMI prior to the date of the Transaction.

## 2.2 TMI

TMI is an investment holding company incorporated in Malaysia. The Transaction is deemed a Related Party Transaction by virtue of the fact that two of TMI's shareholders and Directors (i.e. Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin bin Meranun, collectively referred to as "Related Parties") are also shareholders and Directors in AirAsia. Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin bin Meranun each own 35% of the equity stake in TMI; the remaining 30% equity stake is owned by Mr. Lim Kian Onn.

## 3. Salient terms of the Transaction

### 3.1 Salient terms of the SSA

- **Subscription**

Tune Money agrees to issue and allot to AirAsia, and AirAsia agrees to subscribe in the share capital of Tune Money 54,000,000 new ordinary shares of RM0.10 each representing 40% equity interest in the enlarged issued and paid-up share capital of Tune Money for a cash consideration of RM10 million or approximately RM0.185 per share.

- **Condition Precedent**

The Transaction is conditional upon Tune Money making available to AirAsia copies of the following:

- The receipt by the Issuer of approval from BNM for the subscription by the Subscriber of the Shares.
- The receipt by the Issuer of the approval from BNM for the following additional/new products to be issued by the Issuer:
  - BIG Prepaid MasterCard in the plastic form;
  - Hybrid Prepaid MasterCard in the virtual form, known as or proposed to be marketed as 'EZPay'; and
  - Multi-Currency FX Prepaid MasterCard in the plastic form, known as or proposed to be marketed as 'EZPay Passport'.

- **Basis of Consideration**

The issue price of approximately RM0.185 per share was arrived at after taking into consideration the pro-forma net assets of Tune Money of RM8.3 million (RM0.10 per share) as at 30 June 2014, as well as the licences held by Tune Money and the prospect of the future business operations of Tune Money.

### 3.2 Salient terms of the SHA

- **Business of Tune Money**

The business of Tune Money is the provision, operation, management and issuance of prepaid cards, having obtained regulatory approval from BNM in

2007 to issue electronic money in the form of prepaid cards as a payment instrument.

- **The Board**

- The Board of Tune Money shall initially consist of not more than five (5) Directors, where AirAsia shall have the right to nominate no more than two (2) Directors, while the remaining three (3) Directors shall be nominated by TMI.
- TMI shall nominate a Director to be the chairman of the Board. The chairman shall not have a casting vote at Board meeting or at the Shareholders meeting of Tune Money.

- **Business Plan and Budget**

- The Shareholders agree to adhere to the 2015 business plan and budget of Tune Money that were completed on 15 October 2014. Thereafter, the business plan and budget shall be prepared by Tune Money and shall be approved by the Board on an annual basis.

- **Funding**

- The Shareholders shall approve all working capital funds, including determining the appropriate means to meet the working capital requirement if Tune Money's financial resources are insufficient. Any additional capitalisation shall be in the proportion to each shareholding ratio
- Cash resources of Tune Money after payment of normal operating expenditure and maintenance of sufficient capital to satisfy the relevant regulatory bodies shall be utilised for the following purposes in the following order of priority:
  - Payment of interest payable on loans as and when they become due and payable
  - Repayment of principal amount of loans as and when they become repayable
- Provided always that Tune Money shall have first paid or repaid all interest and principal amount of loans extended by the Shareholders to the extent then due, profit of Tune Money shall to the extent agreed by the Shareholders and as permissible by law (distributable profits) be distributed by Tune Money to the Shareholders in proportion to their shareholdings, whether by way of dividend or otherwise, in the most tax efficient manner.

- **Listing**

The Shareholders will work towards an initial public offering and listing of the Shares of Tune Money or such other liquidity event within five (5) years from the date of this Agreement or such other period as mutually agreed or as soon as Tune Money meets all the criteria and requirements for a Listing.

The SHA also contains other items which are common to agreements between shareholders such as pre-emption rights, reserve matters, deadlock events,

termination, representations and warranties by Tune Money, indemnities from Tune Money and so forth.

### 3.3 Salient terms of the CA

- **Objectives**

The purpose of the CA is to allow AirAsia to sell and to distribute the following products developed by Tune Money (collectively, “the Cards”) to be targeted and marketed to, amongst others, the AirAsia customers:

- Hybrid prepaid card in virtual form (marketed as “AirAsia EZPay Virtual”)
- Multi-currency FX hybrid prepaid card in physical form (marketed as “AirAsia EZPay Passport”)
- 2-in-1 loyalty and payment hybrid card in physical form which may have a multi-currency wallet (marketed as “BIG Prepaid Visa/MasterCard”)

- **Tune Money’s obligations:**

- Ensure AirAsia enjoys attractive Merchant Discount Rate (“MDR”) for payments made by customers using EZPay and BIG Prepaid Mastercard products on the AirAsia ecosystem
- Share a percentage (30%) of net profit from AirAsia EZPay Passport with AirAsia

- **AirAsia’s obligations:**

- Provide discounts on AirAsia ancillary products (e.g. inflight meals, baggage) and free processing fee to customers who purchase with the EZPay cards
- Contribute BIG Loyalty points for payment on processing fees, baggage and inflight meals for customers who purchase with the Cards

- **Contract period**

The CA is valid for a period of three (3) years from the date of signing.

## 4. Rationale for entering into the Transaction

The acquisition of shares into Tune Money will position AirAsia to take full advantage of future growth in electronic money, projected to expand rapidly especially in emerging markets such as ASEAN.

Tune Money holds an e-money license from BNM that has become more difficult to secure due to recent regulatory tightening under the Financial Services Act 2013. As a business that relies heavily on online transactions, AirAsia would benefit from acquiring a stake in a company that holds such a license as this would allow AirAsia to direct future development to ensure suitable products and best terms for AirAsia. This will be important as AirAsia moves closer to its “cashless cabin” vision, which promises to boost ancillary spend and reduce shrinkage.

Acquiring a stake in Tune Money would allow AirAsia to enjoy costs savings and improve margins for AirAsia as Tune Money is currently developing a proprietary closed-loop network that its prepaid cards will run on. This will reduce the cost of card acceptance to AirAsia by reducing the MDR by bypassing traditional credit card processing networks, in which Tune Money acts as acquirer, network and processor for purchases made with Tune Money-issued cards within the AirAsia Group ecosystem.

Additionally, consumers would be able to use Tune Money products outside the AirAsia ecosystem as they are backed by Visa/MasterCard networks and are accepted at any authorized Visa/MasterCard merchant, whether online or at brick-and-mortar stores. This will allow AirAsia to enhance its understanding of customer spending habits outside AirAsia, which could in turn be used to improve targeting of offers and promotions, thereby increasing conversion of offers into sales.

The proceeds from the issuance of Shares will be used by Tune Money to repay shareholders advances, finance the launch of the new products mentioned above and working capital.

## 5. Financial Risks

The financial risks associated with entering into the Transaction are expected to be limited to the Company's investment in Tune Money via the subscribed shares.

## 6. Directors' and major shareholders' interest

The Related Parties are deemed interested in the Transaction and have abstained from all Board and management deliberations in respect thereof.

The Related Parties' direct and indirect shareholdings in AAB as at 27 January 2015 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	0.06	531,212,082	19.09
Datuk Kamarudin bin Meranun	2,000,000	0.07	531,212,082	19.09

*Note:*

*\* deemed interested by virtue of Section 6A of the Companies Act, 1965 through a shareholding of more than 15% in Tune Air Sdn Bhd.*

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.

## **7. Audit Committee's Opinion**

The Audit Committee, 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.

## **8. Statement by Board of Directors**

Save for the Related Parties (who have abstained), the Board, having considered all the relevant factors is of the opinion that entering into the Transaction is in the best interest of the Company.

## **9. Financial effects of the Transaction**

### **9.1 Share capital and substantial shareholders' shareholdings**

The Transaction will not have any effect on the issued and paid-up share capital and the shareholdings of substantial shareholders of the Company.

### **9.2 Earnings and earnings per share ("EPS")**

The Transaction is expected to contribute positively to the earnings and cashflow of AirAsia in the future through its shareholding in Tune Money.

### **9.3 Net assets ("NA"), NA per share and gearing**

The Transaction is not expected to have any material effect on the audited consolidated NA per share and consolidated gearing of AirAsia for the financial year ending 31 December 2015.

## **10. Approval required**

This Transaction does not breach the 5% percentage ratio prescribed under the Main Market Listing Requirements of Bursa Securities. As such, AirAsia does not require the approval of its shareholders and any authorities to enter into the Transaction.

**11. Highest percentage ratio**

The highest percentage ratio applicable to this Transaction is 0.53% and the highest aggregated percentage ratio for all the transactions between the Company and the Related Parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 2.69%.

**12. Total amount transacted for the preceding twelve 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 RM6.08 million.

**13. Document available for inspection**

The SHA, SSA and CA are 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 27 January 2015.**