

Bursa Announcement

Subject: AirAsia Berhad - Acquisition of 80% equity stake in the share capital of T & Co Coffee Sdn Bhd

1. INTRODUCTION

AirAsia Berhad (“**AAB**” or “**Company**”) is pleased to announce that it has on 27 June 2016 entered into a Share Sale Agreement (“**SSA**”) with Datin Charlene Yeo Ming Ling (“**CY**”) to purchase 881,873 ordinary shares of RM1.00 each (“**Acquisition Shares**”) in T & Co Coffee Sdn Bhd (Company No: 1045035-W) (“**T&Co**”), which is equivalent to eighty percent (80%) of the share capital of T&Co for a total purchase consideration of RM914,000 upon terms and conditions as stipulated in the SSA (“**Transaction**”). The purchase consideration shall be satisfied in part by cash of RM814,000 and in part by AirAsia credit shell of RM100,000 which may be used to pay for flights on all carriers within AirAsia Group. The Company would also like to announce that it has entered into a Shareholders Agreement (“**SHA**”) with CY, Dato’ Douglas Cheng Heng Lee (“**DC**”) and T&Co to govern the foregoing parties’ relationship as the shareholders of T&Co.

2. INFORMATION ON T&CO

T&Co is a company incorporated in Malaysia and having its registered address at Level 16, Block B, Northpoint Office, Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur. Incorporated in 2013, T&Co has two distinct businesses – (i) out-of-home premium coffee and tea solutions and (ii) a café, operated under its wholly-owned subsidiary, T & Co Café Sdn Bhd (Company No. 1093728-T).

3. BACKGROUND

T&Co has been supplying inflight coffee and tea solutions to AAB since December 2013. This is in line with AAB’s goal to provide more lifestyle-focused offering to guests onboard by expanding the inflight menu to include premium quality refreshments.

4. THE AGREEMENTS

4.1 Salient terms of the SSA:

- **The Parties**
CY as the Vendor (“**Vendor**”) and AAB as the Purchaser (“**Purchaser**”).
- **The Acquisition**
The Vendor agreed to sell to AAB and AAB agreed to acquire the Acquisition Shares in T&Co, which is equivalent to eighty percent (80%) of the issued and paid-up share capital of T&Co for a total purchase consideration of RM914,000 (RM814,000 in cash and RM100,000 in AirAsia credit shell).
- **Basis of Consideration**
The purchase price of RM914,000 is based on the agreed valuation of RM1,142,500. This was derived after taking into consideration T&Co’s net tangible assets (“**NTA**”) of RM280,586 as of 30 June 2015 and the capitalisation of the amount owing to DC of RM852,341.

Upon capitalisation, the total shares of T&Co shall be increased to 1,102,341 bringing up the NTA per share to RM1.03.

4.2 Salient Terms of the SHA:

- **The Parties**
The SHA shall govern the relationship of AAB, DC and CY as shareholders of T&Co.
- **T&Co Board Composition**
The T&Co Board shall consist three (3) directors comprising of two (2) directors nominated by AAB and one (1) CY director, which could be CY or any director nominated by CY (collectively referred as the “**Directors**”). The Chairman of T&Co Board shall be nominated by the T&Co Board and it shall be any one of the two (2) AAB directors. The T&Co Chairman shall have a casting vote in the event of an equality of votes at any meeting of the T&Co Board.
- **Reserve Matters**
Standard reserve matters (“**Reserve Matters**”) contain items requiring unanimous consensus which include but not limited to change in shareholder distribution as well as change in memorandum or articles of T&Co. It also includes:
 - a. modification to T&Co’s business plan for each financial year;
 - b. any rebranding exercise of T&Co brand in whatsoever description;
 - c. the opening of any account(s) and/or application for online banking services in banks or financial institutions, and the appointment/change of authorised signatories and/or users to such account(s) and/or banking services; and
 - d. the issue of any power of attorney by T&Co.

In the event that the resolution of the Directors on any Reserve Matters cannot be passed after two (2) successive attempts, such matter shall be referred to T&Co Chairman and any decision of the Chairman shall be final and binding.

5. TRANSACTION RATIONALE

Acquiring a majority stake in T&Co would allow AAB greater management control of T&Co and confer on AAB the following benefits:

- 5.1 More focused product development.** Coffee and tea are an important part of the inflight experience. A good coffee and tea offering would help AirAsia differentiate its brand in an increasingly competitive market. It would also allow AAB to raise premiums on beverages as well as improve the margin. A majority stake in T&Co would confer on AAB greater control over product planning and development to ensure they are both in line with the Company’s vision of delivering the ultimate inflight coffee experience featuring the best of Asean beans – the “Barista in the Skies”.
- 5.2 Access to expertise.** T&Co has an existing relationship with green coffee bean suppliers and a master roaster in Australia as well as tea traders whose expertise AAB can tap to develop new coffee and tea products, such as the proposed “Asean blend” that would use of the best coffee beans grown in the Asean region (e.g. Indonesia, Vietnam, etc).

6. FINANCIAL RISKS

The financial risks associated with entering into the Transaction are expected to be limited to the Company’s investment in T&Co via the Acquisition Shares.

7. STATEMENT BY THE BOARD

The Board of AAB, 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. The directors, major shareholders or persons connected with them have no interest, direct or indirect in the Transaction.

8. FINANCIAL EFFECT OF THE AGREEMENT

The 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 AAB. It is also not expected to have material effect on the net assets per share, earnings per share and gearing of AAB for this financial year ending 31 December 2016.

9. APPROVAL REQUIRED

The value of the Transaction would not breach the 5% percentage ratio as prescribed under the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. As such, AAB does not require approval of its shareholders or any authorities to undertake the Transaction.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The SSA and SHA 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 three (3) months from the date of this announcement.

This announcement is dated 27 June 2016.