

Bursa Announcement

Subject:

- 1. PURCHASE OF RAMP EQUIPMENT AND TRANSFER OF EMPLOYEES BY GROUND TEAM RED SDN. BHD. (“GTR”) FROM AIRASIA X BERHAD (“AAX”); AND**
- 2. NOVIATION OF AAX RELATED CONTRACTS WITH TCR SOLUTION SDN BHD (“TCR”) AND I TECH ENGINEERING AND MACHINERY SDN BHD (“I TECH”) TO GTR.**

Contents:

1. Introduction

- 1.1 Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad, the Board of Directors (“the Board”) of AirAsia Berhad (“AAB” or “the Company”) wishes to announce that GTR, a wholly-owned subsidiary of AAB, has:
- a) on 27 September 2017, entered into a Sale and Purchase Agreement (“SPA”) with AAX for the sale and transfer of ramp/ground equipment (“Ground Equipment”) and transfer of employees;
 - b) on 27 September 2017, entered into a Novation Agreement with TCR and AAX (“TCR Novation Agreement”) to novate to GTR:
 - i. The Full Service Rental Agreement dated 1 September 2015 between TCR and AAX for the rental of ground support equipment from TCR, and for TCR to provide maintenance services in relation to the said ground support equipment, together with the related change orders (“FSR Agreement”); and
 - ii. TCR Repair and Maintenance Contract signed on 13 April 2017 between AAX and TCR for repair and maintenance of ground support equipment at Kuala Lumpur International Airport (klia2), together with an Addendum signed on 7 July 2017 and deemed effective from 1 May 2017 (“RMC”); and
 - c) on 27 September 2017, entered into a Novation Agreement with I Tech and AAX (“I Tech Novation Agreement”) to novate to GTR the Lease & Maintenance Agreement dated 21 March 2017 between AAX and I Tech (“LMA”).
- (The TCR Novation Agreement and I Tech Novation Agreement shall hereinafter be referred to as the “Novation Agreements”).

2. Details of GTR

- 2.1 GTR was incorporated under the Companies Act, 1965 on 26 December 2007.
- 2.2 GTR was formed with the purpose of providing efficient in house ground handling services with lower and reasonable rates and to generate income and tap external business potentials from the handling of 3rd party airlines in Malaysia.
- 2.3 AAX is deemed to be a related party to GTR by virtue of the fact that AAB’s Directors and major shareholders (i.e. Datuk Kamarudin Bin Meranun and Tan Sri Dr. Anthony Francis Fernandes) are also the directors and major shareholders in AAX.

(Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun are collectively referred to as “Related Parties”).

3. Salient Terms of the Agreements

SPA

- 3.1 In consideration of the agreed purchase price of RM4,629,912.00 (“Purchase Price”), GTR agrees to purchase and AAX agrees to sell the Ground Equipment under the SPA. GTR shall pay the Purchase Price in full to AAX within ninety (90) calendar days from the date of the said SPA (the 90th day shall be referred to as the “Last Payment Date”), with an option to set off payment of the Purchase Price with the ground handling fees to be charged under a separate ground handling agreement between AAX and GTR. Pursuant to such set off, any balance outstanding sum as at the Last Payment Date shall be paid and/or settled by GTR to AAX on or before the said Last Payment Date, failing which GTR shall pay to AAX interest at the rate of five percent (5%) per annum on the said outstanding sum to be calculated on a daily basis until the date of settlement.

3.2 AAX further agrees to transfer and GTR agrees to accept the transfer of a total of 424 employees (the “**Employees**”) upon the terms and conditions set out in the SPA.

3.3 The SPA shall be governed by, and construed in accordance with, the laws of Malaysia. In the event of any dispute, the parties hereto shall submit to the exclusive jurisdiction of the courts of Malaysia.

Novation Agreements

3.4 AAX shall transfer and assign to GTR its rights, duties and obligations in the agreements to be novated under the Novation Agreements and shall be released and discharged from the performance of the said rights, duties and obligations thereunder.

3.5 TCR and I Tech agree to release and discharge AAX from the effective date of the Novation Agreements on the basis that, among other things, GTR undertakes to perform the agreements to be novated under the Novation Agreements and to be bound by the terms of such agreements in place of AAX, in accordance with the Novation Agreements.

3.6 The Novation Agreements shall be subject to, governed by and construed in accordance with the laws of Malaysia and the parties irrevocably agree to submit to the non-exclusive jurisdiction of the courts in Malaysia.

4.0 Financial Impact of the Agreements

4.1 The SPA and Novation Agreements will not create material financial impact in the current financial year nor will they have any effect on the share capital and substantial shareholders’ shareholdings of the Company. They are not expected to have material effect on the net assets per share, earnings per share and gearing of the Company for the financial year ending in 31 December 2017.

5.0 Basis of Consideration

The Purchase Price in relation to the SPA was arrived on a “willing buyer willing seller” basis, and is derived based on a third party market valuation of the Ground Equipment involved as at September 2016.

6.0 Financial Risks

The financial risks associated with the SPA are expected to be minimal as the risks are limited to the Purchase Price and the financial risks of the assumed liabilities associated with the Novation Agreements are also expected to be minimal.

7.0 Rationale for the Transactions

The purpose of the SPA and Novation Agreements is to facilitate the establishment of GTR through the integration of all AAB and AAX’s Ground Equipment assets. This will be facilitated through GTR taking ownership of the Ground Equipment through the SPA, as well as via the Novation Agreements from AAX to GTR.

8.0 Directors’ and Major Shareholders’ Interests

The Related Parties are deemed interested in the SPA and Novation Agreements and they have abstained from all management and Board of Directors’ deliberations in respect of the SPA and Novation Agreements. The Related Parties’ direct and indirect shareholdings in the Company as at 27 September 2017 are as set out in the table below:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Tan Sri Dr. Anthony Francis Fernandes	1,600,000	0.05	1,075,485,082 *	32.18
Datuk Kamarudin Bin Meranun	2,000,000	0.06	1,075,485,082 *	32.18

Note:

* 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.

Save as disclosed, no other directors and/or major shareholders of the Company and/or person connected with them have any interest, whether directly or indirectly in the SPA and Novation Agreements.

9.0 Board of Directors

The Directors (other than the Directors who have abstained as stated in Section 8 above) having considered all the relevant factors in respect of the SPA and Novation Agreements is of the opinion that entering into the SPA and Novation Agreements is in the best interest of the Company.

10.0 Approval Required

The value of the above transactions would not breach the 5% percentage ratio as prescribed under the MMLR. As such the Company does not require the approval of its shareholders.

11.0 Highest Percentage Ratio

The highest percentage ratio applicable to these transactions is 0.12% and the highest aggregated percentage ratio for all the transactions between the Company and the Related Parties and/or person connected with them pursuant to Paragraph 10.12(1) of the MMLR is 0.25%.

The total amount transacted between the Company and the Related Parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the MMLR in the last twelve (12) months is RM42.8 million.

12.0 Documents available for inspection

The SPA and Novation Agreements are available for inspection by members 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 September 2017.