

Bursa Announcement

Subject: Capital A Berhad (formerly known as AirAsia Group Berhad) (“Capital A” or the “Company”) – Wet Lease Agreement entered into by AirAsia Berhad, a wholly-owned subsidiary of Capital A, with AirAsia X Berhad.

1. Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the Board of Directors of Capital A wishes to announce that AirAsia Berhad (“AAB”), a wholly owned subsidiary of the Company, has on 13 June 2022, entered into a Wet Lease Agreement (“Agreement”) with AirAsia X Berhad (“AAX”) to govern the terms and conditions of leasing one (1) Airbus A330-343 aircraft with complete crew, maintenance and insurance by AAX to AAB on a wet lease basis in accordance with the terms and conditions of the agreement. (“Transaction”).

The Agreement is regarded as a related party transaction pursuant to Paragraph 10.08 of the MMLR.

2. Details of AirAsia X Berhad

2.1 AAX was incorporated in Malaysia on 19 May 2006, and is a leading medium to long-haul, low-cost airline operating primarily in the Asia-Pacific region. With its breakthrough business model, it has the lowest unit cost base which enables it to stimulate new market demand.

2.2 The total issued and paid-up share capital of AAX is RM1,534,044 comprising 414,814,737 ordinary shares.

2.3 The directors who are also the major shareholders of AAX and their respective shareholding in AAX as at the date of announcement are as follows:

| Directors | Direct | | Indirect | |
|-----------------------------------|---------------|-------|------------------|--------------------|
| | No. of Shares | % | No. of Shares | % |
| Datuk Kamarudin Bin Meranun | 370,709,939 | 8.94 | 1,310,331,376(1) | 31.59 [^] |
| Tan Sri Anthony Francis Fernandes | 111,587,228 | 2.69 | 1,310,331,376(1) | 31.59 [^] |
| Major Shareholders | | | | |
| Tune Group Sdn Bhd (“TGSB”) | 73,960,286 | 17.83 | - | - |
| AirAsia Berhad (“AAB”) | 57,072,850 | 13.76 | - | - |

| | | | | |
|-----------------------------------|------------|------|--------------------------|--------------------|
| Tan Sri Anthony Francis Fernandes | 11,130,372 | 2.68 | 131,033,136 [^] | 31.59 [^] |
| Datuk Kamarudin bin Meranun | 37,070,993 | 8.94 | 131,033,136 [^] | 31.59 [^] |

Notes:

[^] Deemed interested by virtue of their interests in TGSB and AAB pursuant to Section 8 of the Companies Act 2016.

2.4 The directors of AAX are as follows: -

- (i) Tan Sri Rafidah Aziz;
- (ii) Lim Kian Onn;
- (iii) Tan Sri Anthony Francis Fernandes;
- (iv) Datuk Kamarudin bin Meranun;
- (v) Tan Sri Asmat bin Kamaludin; and
- (vi) Dato' Fam Lee Ee.

3. Salient Terms of the Agreement

- 3.1. The Agreement will be effective on the date of signing of the Agreement and will expire on 31 July 2022, unless terminated earlier by either AAB or AAX, for any reasons whatsoever, by providing thirty (30) days' prior written notice. In the event of a material breach, either AAB or AAX can terminate the agreement by providing an immediate notice to remedy to the non-defaulting Party. If the defaulting Party doesn't remedy within thirty (30) days, then the non-defaulting Party may terminate the Agreement without further notification.
- 3.2. AAB will lease one (1) Airbus A330-343 aircraft from AAX in accordance with the terms and conditions stipulated under the Agreement and the Terms and Conditions of Carriage.
- 3.3. AAB will pay AAX a total estimated consideration of Ringgit Malaysia Two Million One Hundred Eighty One Thousand Three Hundred Seventy Five (RM2,181,375), exclusive of the 6% Sales and Service Tax, within thirty (30) days from the receipt of the invoice from AAX. The total estimated consideration due to AAX comprises actual flown and planned wet lease of the aircraft on an hourly billing basis for the period of the agreement. The final total payment will vary based on hours eventually flown.
- 3.4. In the event of any cancellation, re-route and/or re-schedule of the flights for commercial reasons, AAB will give forty-eight (48) hours' prior notice to AAX and if such changes lead to additional direct costs for AAX, then AAB will compensate AAX such costs in full.

3.5. The Agreement is governed by the laws of Malaysia and any dispute will be resolved by arbitration at the Asian International Arbitration Centre.

4. 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 2022 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 2022.

5. 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.

6. Rationale and Benefits of the Transaction

AAB plans to increase seat capacity across all markets to meet growing post-Covid recovery in passenger demand. The wet lease of available aircraft from AAX will allow AAB to rapidly ramp up seat capacity on trunk routes as well as serve as spare capacity to be deployed during festive and peak travel periods.

7. Directors' and/or Major Shareholders' Interests and/or Persons Connected to Them

The Transaction is deemed a related party transaction by virtue of the fact that -

- (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, as well as his directorship in 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 directorship 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. The Related Parties' direct and indirect shareholdings in Capital A as at 13 June 2022 are as set out in the table below:

| Shareholder | Direct | | Indirect | |
|-----------------------------------|---------------|-------|---------------|-------|
| | No. of shares | % | No. of shares | % |
| Tan Sri Anthony Francis Fernandes | 1,600,000 | 0.05% | 1,025,485,082 | 24.64 |
| Datuk Kamarudin Bin Meranun | 2,000,000 | 0.06% | 1,025,485,082 | 24.64 |

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

8. Audit Committee's Statement

The Audit Committee of Capital A, having considered all aspects 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 which are not detrimental to the interests of the minority shareholders of the Company.

9. Board of Directors' Statement

The Directors (other than the Related Parties as stated in Section 8.2 above) having considered all the relevant factors in respect of the Transaction, are of the view that entering into the Agreement 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.

10. Approvals Required

The Agreement is not subject to the shareholders' approval and approval of any government authorities.

11. Highest Percentage Ratio

The highest percentage ratio applicable to this Transaction is 0.065% 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") is 0.295%.

The transactions listed above are not subject to the shareholders' approval and the approval of any government authorities.

12. 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 RM5.5 million.

13. Documents available for inspection

The Agreement is available for inspection by members at the registered office of the

Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000, KLIA, Selangor,, 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 16 June 2022.