

Bursa Announcement

Subject:

1. SALE OF RAMP EQUIPMENT AND TRANSFER OF EMPLOYEES TO GROUND TEAM RED SDN. BHD. (“GTR”); AND
2. NOVATION OF 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 X Berhad (“AAX” or “the Company”) wishes to announce that the Company has:
- a) on 27 September 2017, entered into a Sale and Purchase Agreement (“SPA”) with GTR 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 GTR (“TCR Novation Agreement”) to novate to GTR:
 - i. The Full Service Rental Agreement dated 1 September 2015 between TCR and the Company 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 the Company 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 GTR (“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 is a wholly-owned subsidiary of AirAsia Berhad (“AAB”). 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 GTR is deemed to be a related party to AAX 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. Dato’ Fam Lee Ee is a Director in AAB, and represents AAB as a Director in AAX.

(Tan Sri Dr. Anthony Francis Fernandes, Datuk Kamarudin Bin Meranun and Dato’ Fam Lee Ee are collectively referred to as “Related Parties”).

3. Salient Terms of the Agreements

SPA

- 3.1 In consideration of the agreed sale price of RM4,629,912.00 (“Sale Price”), AAX agrees to sell and GTR agrees to purchase the Ground Equipment under the SPA. GTR shall pay the Sale 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 Sale Price with the ground handling fees to be charged under a separate ground handling agreement between the Company 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 original cost of investment for the Ground Equipment is RM10,172,730.47. The net book value of the Ground Equipment is RM4,403,939.95 as at 27 September 2017. The Company will make a gain of RM225,972.05 from the SPA.

4.2 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 Sale Price in relation to the SPA was arrived on a “willing buyer willing seller” basis, and is derived based on a third party valuation of the Ground Equipment’s fair market value 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 Sale Price.

7.0 Rationale for the Transactions

7.1 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 by AAX to GTR.

7.2 GTR will focus on execution of ground handling activities, including administration and people management. This will allow AAX to:

- a) Invest more manpower and focus on new business strategies to turnaround AAX, rather than put their efforts and resources in the ground handling business, which is not a core airline business; and
- b) Spin off the ground handling function to GTR which will charge a lower ground handling rate compared to independent 3rd party ground handler market rates.

7.3 In the longer term, the tangible and intangible benefits to AAX will include but not limited to:

- a) Receiving consistent standards of ground handling services in line with future expansion;
- b) Dispense with having need to replace and update equipment and technologies for ground handling purposes; and
- c) Optimized management and administration of manpower.

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	87,303,728	2.105	1,163,602,394 *	28.051
Datuk Kamarudin Bin Meranun	337,702,739	8.141	1,163,602,394 *	28.051
Dato' Fam Lee Ee	Nil	Nil	Nil	Nil

Note:

* deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in AAB and Tune Group 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 0.47% 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 0.47%.

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 RM5,014,912.

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.