

Bursa Announcement

Subject: AirAsia Berhad proposed acquisition of up to 25.8% equity stake in Think BIG Digital Sdn Bhd

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1. Introduction

AirAsia Berhad ("AirAsia" or "the Company") wishes to announce that the Company has entered into a Share Sale Agreement with Tune Money International Sdn Bhd ("TMI") on 3rd February 2016 for the acquisition of up to 2,072,000 ordinary shares of RM1.00 each ("Shares") representing 25.8% equity interest in the issued and paid up ordinary share capital of Think BIG Digital Sdn Bhd ("Think BIG Digital" or "TBD") for a cash consideration of RM101.5 million, or approximately RM49 per ordinary share ("the Transaction"), the purchase price to be satisfied by the Company's internally available funds.

2. Information on the entities

2.1 Think BIG Digital

Think BIG Digital 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. It has an authorised share capital of RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each, of which 8,024,098 ordinary shares have been issued and fully paid up.

Think BIG Digital is involved in the management of the AirAsia BIG global loyalty programme which is the global points currency serving AirAsia and the Tune Group and was officially launched in November 2011. AirAsia BIG Loyalty Programme has approximately 15.6 million members across Asia Pacific and worldwide. Under the programme, members earn BIG points from AirAsia, Tune Talk, Tune Hotels and over 150 regional partners and major banks.

As a BIG member, the members will be assured of priority access to AirAsia sales, member-exclusive AirAsia deals, and redeem accumulated BIG Points for free AirAsia flights and Tune Hotel stays.

In conjunction with Tune Money Sdn Bhd, Think Big Digital provides the loyalty program for the BIG Visa Prepaid Card, co-branded and affinity payment products, giving cardholders the opportunity to earn Points and redeem for AirAsia flights and many other specialty merchandise and hotel rewards.

The shareholders of Think BIG Digital are AirAsia (46.1%), Tune Money International Sdn Bhd ("TMI") (36.9%) and Aimia Holdings UK II Limited ("AIMIA") (17.0%).

2.2 Tune Money International

TMI is an investment holding company incorporated in Malaysia under the Companies Act 1965. TMI acquired 1 ordinary share of RM1.00 each of TBD for RM1.00 on 7 March 2013 and subscribed for 3,700,000 ordinary shares of RM1.00 each of TBD for RM3,700,000 on 13 January 2014. Subsequently on 29 January 2014, TMI sold 740,000 ordinary shares of RM1.00 each of TBD to AIMIA.

2.3 AIMIA

AIMIA acquired 740,000 ordinary shares of RM1.00 each of TBD from TMI on 29 January 2014. Subsequently on 10 February 2014 and 31 December 2014, AIMIA subscribed for 344,186 and 279,910 ordinary shares of RM1.00 each of TBD respectively. AIMIA will be subscribing for a further 300,904 ordinary shares of RM1.00 each of TBD, bringing their total shareholding to 20.0% as per the Subscription Agreement entered into between AMIA and Think BIG Digital on 29 Jan 2014.

3. Salient terms of the Transaction

3.1 Salient terms of the Share Sale Agreement (“SSA”)

- **The Parties**

TMI as the Vendor and AirAsia as the Purchaser.

- **The Acquisition**

TMI agreed to sell and transfer to AirAsia and AirAsia agreed to acquire from TMI a total of up to 2,072,000 ordinary shares of RM1.00 each representing 25.8% equity interest in the issued and paid up ordinary share capital of Think BIG Digital for a price of RM101.5 million (“Purchase Consideration”).

- **Salient terms**

1. Conditions Precedent

The Acquisition is subject to the satisfaction of the following conditions precedent being fulfilled by the Parties as documented in the SSA, within the period of three (3) months from the date of the SSA:

- a) the Vendor shall obtain a written authorisation from AIMIA on the sale and transfer of the Acquisition Shares to the Purchaser;
- b) the approval of the board of directors of the Vendor for the execution of this Agreement and the performance of its obligations hereunder to sell and transfer the Acquisition Shares to the Purchaser; and
- c) the approval of the shareholders of the Purchaser, in the event that the Purchase Consideration payable to the Vendor for the Acquisition Shares exceeds the highest aggregated percentage ratio (greater than or equal to 5%) for all the transactions between the Purchaser and its related parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the Main Market Listing Requirements of Bursa Malaysia.

2. Representation from TMI that it has provided true, accurate and correct information of all actual and contingent liabilities of Think Big Digital.

3. Representation from TMI to indemnify AirAsia against any and all losses, liabilities, claims and expenses which AirAsia may suffer from the breach of representation, warranty or undertaking given by TMI.

- **Basis of Consideration**

The purchase price is based on the agreed valuation of Think BIG Digital of RM393.4 million for 100% equity of Think BIG Digital. The valuation was arrived at taking into account the previous share acquisition and subscription in Think BIG Digital by AIMIA in 2014 which valued the company at USD109 million.

4. Rationale for entering into the Transaction

- i. Acquiring the remaining 25.8% stake in Think BIG Digital will confer onto AirAsia additional benefits that can only be realised through greater controlling stake of Think BIG Digital. Subsequent to the Acquisition, Think BIG would be a subsidiary to AirAsia and AirAsia would have greater strategic control over day-to-day operations at Think BIG to drive the business forward. This would allow AirAsia to extract greater value from the AirAsia BIG loyalty programme managed by Think BIG Digital.

The shareholding on AirAsia Berhad pre and post the acquisition of shares is highlighted below:

Shareholders	Current Number of Shares Held	Current Shareholding (%)	Maximum Number of Shares Held Post-Acquisition	Maximum Shareholding Post-Acquisition (%)
AirAsia Berhad	3,700,001	46.1%	5,772,001	71.9%
Tune Money International Sdn Bhd	2,960,001	36.9%	888,001	11.1%
AIMIA Holdings UK II Limited	1,364,096	17.0%	1,364,096	17.0%
Total	8,024,098	100.0%	8,024,098	100.0%

- ii. Greater control would also accelerated decision-making with regards to AirAsia priority items that would help support the Company's business plan and commercial objectives.
- iii. Additionally, once AirAsia increases its stake in Think BIG Digital to above 50%, Think BIG Digital will no longer be classified as an associate and AirAsia will be able to consolidate Think BIG Digital's contributions to Company revenue, which would improve AirAsia's top line.
- iv. High return on investment, as the Company has a business plan to grow its loyalty business and membership base significantly.

5. Financial Risks

The financial risks associated with entering into the Transaction are expected to be limited to the Company's investment in Think BIG Digital via the acquired shares. To date and prior to the completion of the Transaction, AirAsia had acquired 1 ordinary share of RM1.00 each of TBD at par for RM1.00 on 18 October 2011 and subscribed for 3,700,000 ordinary shares of RM1.00 each of TBD at par for RM3,700,000 on 13 January 2014 .

6. Directors' and major shareholders' interest

AirAsia and TMI are deemed related parties 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) are also shareholders and Directors in AirAsia.

Tan Sri Dr Anthony Francis Fernandes and Datuk Kamarudin bin Meranun ("Related Parties") each own 35% of the equity stake in TMI; while the remaining 30% equity stake is owned by Mr Lim Kian Onn.

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 AirAsia as at 3rd February 2016 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	528,542,082	18.99
Datuk Kamarudin bin Meranun	2,000,000	0.07	528,542,082	18.99

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 of AirAsia, 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 cash flow of AirAsia in the future through its shareholding in Think BIG Digital.

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 2016.

9.4 Liabilities

AirAsia will not be assuming any liabilities of Think BIG Digital as a result of the Transaction.

10. Approval required

The Transaction does not breach the 5% percentage ratio prescribed under the Bursa Malaysian Market Listing Requirements. As such AirAsia does not require the approval of its shareholders or any authorities to enter into the Transaction.

11. Highest percentage ratio and total amount transacted

The highest percentage ratio applicable to this Transaction is 2.23% 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 Securities in the last twelve months is 4.5%.

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 Main Market Listing Requirements of Bursa Securities in the last twelve months is RM17.14 million.

12. Document available for inspection

The SSA is 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 3rd February 2016.