



20 May 2020

Mr Elvis Onyura
Senior Adviser, Listings Compliance (Sydney)
20 Bridge Street
Sydney NSW 2000

Via email only: Elvis.Onyura@asx.com.au

Dear Sir

At the outset, we would like to assure ASX that Rex takes its continuous disclosure and other ASX obligations seriously and we have always tried to comply with our obligations.

In response to your letter of 18 May 2020, we would like to provide the following information.

On 28 April 2020, Rex was approached unsolicited by the Australian Financial Review seeking an interview with Rex's Chairman to discuss Rex's success in regional aviation, as well as general aviation issues.

The interview took place on 5 May 2020. During the course of that interview the journalist began to also ask about the domestic aviation sector and the Virgin situation. The AFR article was published on 7 May 2020 and is reproduced in the Appendix.

The article generated widespread interest in aviation circles and Rex was contacted by several parties wanting to discuss the future of domestic operations.

In a follow-up interview by the same journalist from the AFR with the Deputy Chairman, John Sharp on 11 May 2020, the question was asked as to whether Rex was interested in taking any initiatives with regards to the VA situation. John replied that Rex had some confidential exploratory discussions with some parties about Rex's possible interest in starting domestic operations. John said that Rex's position was that Rex felt that expanding its operations to cover domestic services could make commercial sense if there was a party willing to adequately fund the project. This resulted in the article being published in the AFR on 12 May 2020.

The Sydney Morning Herald article of 13 May 2020 was probably written on the back of the AFR article but Rex had nothing to do with that article.

Rex has always tried to ensure that any material information is disclosed to the ASX prior to the release to the general public.

In this particular instance Rex believed that information about possible city operations was not sufficiently definitive to constitute material information.

Regional Express Holdings Ltd

Head Office
81-83 Baxter Road
Mascot, NSW 2020
P +61 2 9023 3555

Engineering Base
Don Kendell Drive
Forest Hill, NSW 2651
P +61 2 6926 7700

ABN 180 9954 7270 ACN 099 547 270
PO Box 807
Mascot, NSW 1460
W rex.com.au
F +61 2 9023 3599

Regional Express Group of Companies:





We also took this view as we did not expect that information to have a material effect on our share price. In the almost 15 years since Rex has been listed on the ASX, we have observed that nothing much excites the stock market concerning Rex besides news of exceptional dividends or profits.

Rex has made many announcements of contracts worth several hundreds of millions with barely a ripple on the share price. Another example is how the newspapers recently carried reports of Rex receiving an outright grant of over \$50 Million from the Commonwealth and the share price did not even move. Given this background, we didn't expect our share price to move as it did.

Given how the share price reacted to the news, it is evident that our judgement call was erroneous. We wish to reassure ASX that Rex will err on the side of caution in the future.

While Rex believes its continuous disclosure program and training has been adequate, it will seek to make further improvements. In particular, we will be engaging our lawyers to conduct further training on Continuous Disclosure to the Board and Management Committee at the next Board meeting to ensure that our obligations are clearly understood and complied with.

We appreciate ASX raising this matter with us. We confirm that these responses have been authorised and approved by our Chairman and Deputy Chairman who have authority to respond to ASX on disclosure matters

Yours sincerely,

Lim Kim Hai
Executive Chairman

Hon John Sharp AM
Deputy Chairman





Appendix:

Australian Financial Review, *Rex puts the heat on Virgin*, published 7 May 2020: <https://www.afr.com/chanticleer/rex-puts-the-heat-on-virgin-20200506-p54qb5>

Australian Financial Review, *Virgin headed for another disaster, says REX chairman*, published 7 May 2020: <https://www.afr.com/companies/transport/virgin-headed-for-another-disaster-says-rex-chairman-20200506-p54qb3>

Australian Financial Review. *Virgin sale gets crazier*, published 12 May 2020: <https://www.afr.com/chanticleer/virgin-sale-gets-crazier-20200511-p54run>

Australian Financial Review, *Rex takes fight to Qantas and Virgin*, published 12 May 2020: <https://www.afr.com/companies/transport/rex-takes-fight-to-qantas-and-virgin-20200511-p54rvs>

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18 May 2020

Reference: 18152

Mr Lim Kim Hai / The Honourable John Sharp AM
Executive Chairman / Deputy Chairman
Regional Express Holdings Limited
81-83 Baxter Road
Mascot NSW 2020

By email:

Dear Messrs Lim and Sharp

Regional Express Holdings Limited ('REX'): Non-compliance with Listing Rules 3.1 and 15.7

ASX refers to the following:

- A. The article appearing in *The Australian Financial Review* on 12 May 2020 under the headline, "Virgin sale gets crazier" that included the statement that: "Another wildcard in the Virgin sales process is the sudden intervention of Regional Express Holdings, which has revealed to *The Australian Financial Review* it wants to spend \$200 million launching new capital city services" (the "First Article").
- B. ASX's telephone conferences with REX on the morning of 12 May 2020 prior to the commencement of trading on ASX in relation to the First Article.
- C. The pause in trading ASX put in place prior to the commencement of trading in REX's securities on 12 May 2020 and REX's subsequent request for a trading halt at about 10:40 am on 12 May 2020.
- D. The article appearing in the business section of *The Sydney Morning Herald* on the morning of 13 May 2020 under the headline "Regional Express plans to take on capital city flights" (the "Second Article") that included the following relevant quotes:

"Regional Express Airlines says it plans to start flying jet aircraft between mainland capital cities in a direct challenge to Qantas, Jetstar and Virgin Australia".

"The regional carrier said yesterday it intends to raise about \$200 million to lease around 10 narrow-body jets, adding to its fleet of mostly Saab 340 turboprop aircraft, and will hire pilots, cabin crew and ground staff to operate them".

"Presently Rex flies to the regional centres to all the [mainland] capital cities in Australia," Rex deputy chairman John Sharp told ABC radio yesterday."

"Mr Sharp said the airline had "been advised that equity investors could be readily found" to provide the \$200 million needed to turn Rex into a competitor to Qantas and Virgin".

- E. REX's subsequent announcement lodged with ASX and released to the market at 11:43 am on 13 May 2020 entitled "Rex Responds to Recent News Article", in which REX disclosed that it was considering the feasibility of commencing domestic airline operations in Australia and had been approached by several parties interested in providing the equity needed for REX to start domestic operations and a preliminary estimate of the equity required was in the vicinity of \$200 million (the 'Announcement').
- F. The share price increase in REX's securities from a close of \$0.90 on 11 May 2020 to a high of \$1.31 (an increase of 45.55%) on 13 May 2020 following the release of the Announcement.
- G. REX's continuous disclosure policy available on its website stating:

"Regional Express Holdings Limited (Company) has adopted this Continuous Disclosure Policy to ensure that it complies with its disclosure obligations under the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange (ASX).

This policy applies to all directors and employees of the Company and its subsidiaries from time to time (Group).

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The main ASX disclosure requirement is set out in Listing Rule 3.1, which essentially requires the Company to immediately notify the ASX of information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Materially price sensitive information must be immediately notified to the ASX unless it falls within the scope of the limited confidentiality exemption contained in Listing Rule 3.1A. ...

The Company takes its disclosure obligations seriously and seeks to comply with the spirit as well as the letter of the ASX requirements."

H. Listing Rule 3.1 which states:

"Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information"

I. Listing Rule 15.7 which states:

"An entity must not release information that is for release to the market to any person until it has given the information to ASX and has received an acknowledgment that ASX has released information to the market."

Listing Rules 3.1 and 15.7 are particularly important as they underpin the continuous disclosure regime on ASX. Listing Rule 15.7 requires that a listed entity not release information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to ASX and received an acknowledgment that ASX has released it to the market. This ensures, among other things, that trading on ASX happens on an informed basis.

As the First Article and Second Article appeared prior to the Announcement being released to ASX, it appears that REX may have breached Listing Rules 3.1 and 15.7.

Request for Information

Having regard to the above, ASX asks REX to respond separately to each of the following questions and requests for information:

1. Please provide an explanation to ASX how the information in the Announcement appeared in the First Article and the Second Article prior to the Announcement being released to ASX.
2. Does REX consider its continuous disclosure policy and the training it has provided to its directors and staff in relation to that policy adequate in the circumstances and, if not, what does REX propose to do ensure its future compliance with Listing Rules 3.1 and 15.7?
3. Please confirm that REX's responses to the above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of REX with delegated authority from the board to respond to ASX on disclosure matters.

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST on Wednesday, 20 May 2020**.

ASX reserves the right to release this letter and REX's response to it to the market in accordance with Listing Rule 18.7A. ASX also requests that this letter is brought to the attention of the board of REX.

If you have any questions in relation to any of the above, please contact me.

Yours sincerely

Elvis Onyura
Senior Adviser, Listings Compliance (Sydney)

CC: Richard Kwan, Irwin Tan, REX

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