

## 1. INTRODUCTION

The Board of Directors of AirAsia X Berhad (“**AAX**” or “the Company”) wishes to announce that AAX has entered into the following agreements with AirAsia Berhad (“**AAB**”) in respect of one (1) Airbus A330-343 aircraft with complete crew, maintenance and insurance by AAX to AAB on a wet lease basis:

- (a) A wet lease agreement dated 28 March 2022, together with an addendum to amend the flight program, dated 7 May 2022.

*(The wet lease agreement dated 28 March 2022, together with the addendum dated 7 May 2022 are collectively referred as the “**First Wet Lease**”)*

- (b) A wet lease agreement dated 22 June 2022 together with an addendum dated 13 August 2022.

*(The wet lease agreement dated 22 June 2022 together with the addendum dated 13 August 2022 are referred as the “**Second Wet Lease**”)*

*(Collectively, all the above-mentioned agreements and addendums are referred as “the **Transactions**”)*

## 2. DETAILS OF AAB

AAB is a low-cost carrier which was established in 2001 and listed on the Main Market of Bursa Malaysia Securities Berhad in November 2004, with hubs in Kuala Lumpur, Penang, Johor Bahru and Kuching. Since pioneering the short-haul low-cost carrier model in Asean in 2001, AAB has grown from a domestic airline in Malaysia to the leading low-cost airline in Asia. It currently operates a fleet of 100 Airbus A320s.

In 2017, AAB undertook an internal reorganisation by way of a members’ scheme of arrangement under Section 366 of the Companies Act 2016. Following the completion of the internal reorganisation of AAB and the transfer of its listing status to Capital A Berhad (formerly known as AirAsia Group Berhad) (“**Capital A**”) on 16 April 2018, AAB is now a wholly-owned subsidiary of Capital A.

AAB was incorporated in Malaysia on 20 December 1993. The principal activity of AAB is providing air transport services. The issued share capital of AAB is RM2,515,438,408.00 comprising of 3,341,974,080 ordinary shares.

The Directors of AAB are Datuk Kamarudin bin Meranun, Riad Asmat and Jasmindar Kaur a/p Sarban Singh.

### **3. SALIENT TERMS OF TRANSACTIONS**

#### **3.1 First Wet Lease**

- (a) A wet lease is a leasing arrangement whereby one airline (Lessor) provides an aircraft, complete crew, maintenance, and insurance (ACMI) to another airline or other type of business acting as a broker of air travel (Lessee), which pays by hours operated. The Lessee provides fuel and covers airport fees, and any other duties, taxes, etc. The flight uses the flight number of the Lessee.
- (b) The aircraft used for the First Wet Lease was 9M-XXZ/MSN1612 which belongs to Macquarie Aircraft Leasing Services (Ireland) Limited.
- (c) Wet Lease Period: 29 April 2022 - 30 June 2022.

#### **3.2 Second Wet Lease**

- (a) The proposed aircraft for the Second Wet Lease is 9M-XXF/MSN1126 which belongs to Minsheng Financial Leasing Co. Ltd.
- (b) The revised wet lease period: 1 July 2022 – 31 August 2022.
- (c) Payment Terms: Payable within thirty (30) days from the date of issuance of the invoice which shall be issued at the end of the wet lease period. The wet lease price shall be paid exclusive of any applicable taxes, levies or charges, which, if any, shall be borne solely and fully by AAB.
- (d) Termination: AAX may terminate the wet lease arrangements due to a breach by providing an immediate notice to AAB. Any termination without reason will require thirty (30) days written notice. The Second Wet Lease may be extended based on mutual agreement between AAX and AAB.

### **4. CONSIDERATION**

For the First Wet Lease, AAX will receive a total consideration of Ringgit Malaysia One Million Seven Hundred Five Thousand Thirty-Nine and Cents Seventy-Five (RM1,705,039.75), exclusive of the 6% Sales and Service Tax.

For the Second Wet Lease, AAX will receive a total consideration of Ringgit Malaysia Six Million Four Hundred Twenty-Three Thousand Four Hundred Ninety-Two and Cents Forty Eight (RM6,423,492.48)\*, exclusive of the 6% Sales and Service Tax. The total consideration due from AAB 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.

*\*Based on actual utilization as of 11 August 2022*

## 5. BASIS OF ARRIVING AT AND JUSTIFICATION FOR THE CONSIDERATION

The key terms in the Transactions are based on the current market practice and the same terms are available to other aircraft bearing the brand name of AirAsia X or AirAsia, subject to the market situation and other variables at such time. Furthermore, the rates offered to AAB were arrived on an agreed basis by both AAX and AAB, and derived based on the operational cost and aircraft downtime.

## 6. EFFECTS OF THE TRANSACTIONS

The Transactions will not have any material financial impact on the Company and/or its subsidiaries (“**Group**”) in the financial year ending 30 June 2023 nor will they have any effect on the share capital and substantial shareholders’ shareholdings of AAX. They are 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 30 June 2023.

## 7. RISK FACTORS

The financial risks associated with the Transactions are expected to be limited to the contract value. There is no other risk associated with the Transactions.

## 8. RATIONALE OF THE TRANSACTIONS

AAX has an excess plane available to effect the requested wet lease which generates revenue for AAX. Hence the wet lease arrangement with AAB.

The Transactions with AAB is to help AAX to meet the business needs to strengthen its sales and market share during this post-covid recovery period. The upsizing from narrow-body aircraft to wide-body aircraft will allow AAX to capitalize on high demand routes with frequency and aircraft limitation by way of a wet lease arrangement.

## 9. INTEREST OF THE DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are deemed interested in the Transactions by virtue of them being the directors and major shareholders of the Company, and the directors and the major shareholders of Capital A, which wholly-owns AAB. Dato’ Fam Lee Ee is a director in Capital A, and represents Capital A as a Director in AAX.

*(Tan Sri Anthony Francis Fernandes, Datuk Kamarudin bin Meranun and Dato’ Fam Lee Ee hereinafter referred to collectively as “Interested Directors”)*

The shareholdings of the Interested Directors in AAX are as follows:

Parties	Direct		Indirect	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
<b>Directors</b>				
Datuk Kamarudin bin Meranun	37,070,993	8.936	131,033,136*	31.586
Tan Sri Anthony Francis Fernandes	11,130,372	2.683	131,033,136*	31.586
Dato' Fam Lee Ee	-	-	-	-

<b>Major Shareholders</b>				
Tune Group Sdn. Bhd.	73,960,286	17.828	-	-
AAB	57,072,850	13.758	-	-
Datuk Kamarudin bin Meranun	37,070,993	8.936	131,033,136*	31.586
Tan Sri Anthony Francis Fernandes	11,130,372	2.683	131,033,136*	31.586

*\*Deemed interested by virtue of their interests in AAB and Tune Group Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016*

The Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of the Transactions.

## 10. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of AAX, having considered all the relevant factors in respect of the Transactions, is of the view that the Transactions are in the best interest of the Company as the Transactions are entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders of the Company.

## 11. BOARD OF DIRECTORS' STATEMENT

The Directors (other than, Tan Sri Anthony Francis Fernandes, Datuk Kamarudin bin Meranun and Dato' Fam Lee Ee) having considered all the relevant factors in respect of the Transactions, are of the view that entering into the Transactions are in the best interest of the Company, fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders of the Company.

## **12. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Transactions pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 4.71%, based on AAX's audited consolidated financial statements for the financial year ended 30 June 2021.

## **13. DOCUMENTS AVAILABLE FOR INSPECTION**

The wet lease agreements including the addendums are available for inspection at the registered office of the Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000, KLIA, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 16 August 2022.