

## **Bursa Announcement**

**Subject: Ground Handling Services to be provided by PT Indonesia AirAsia to AirAsia X Berhad via an IATA Standard Ground Handling Agreement (“Transaction”)**

### **Contents:**

#### **1. Introduction**

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 and PT Indonesia AirAsia (“IAA”) has on 3 April 2017 entered into an IATA Standard Ground Handling Agreement (“Agreement”) for IAA to provide ground handling services (“Services”) to AAX, for the purpose of AAX’s intended flights into and out of the Indonesian stations where IAA operates.

#### **2. Details of IAA**

- 2.1 IAA is a low-cost airline operating both domestic and international routes in Indonesia, with hubs in Jakarta, Bali, Surabaya and Medan. Its main base is Soekarno-Hatta International Airport, Jakarta. IAA is the Indonesian associate of AirAsia Berhad (“AAB”), a low-cost airline based in Malaysia.
- 2.2 IAA is deemed to be a related party to AAX by virtue of the fact that (i) AAB wholly owns AirAsia Investment Limited, which holds 49% shareholdings in IAA, and (ii) 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 both AAB and AAX.

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

#### **3. Salient Terms of the Agreement**

- 3.1 The Agreement shall be valid from 1 March 2017 to 28 February 2018, and shall continue in force until the expiry date unless a sixty (60) days’ prior written notice is given by either party to the other party.
- 3.2 IAA shall invoice AAX monthly. The invoices shall be accompanied by proper supporting documents (paper and electronic file), as required by AAX. Any disputed items shall be specified in writing by AAX to IAA within 30 days of receipt of invoice. AAX may withhold payment of any disputed items within an invoice, provided notice has been given to IAA pending resolution of the dispute.
- 3.3 Either party may terminate the Agreement by written notice at any time if the offending party is in breach of its obligations and it fails to rectify such breach within 21 (twenty one) days of receiving such written notice requesting it do so. In the event of a material breach which is incapable of remedy, written notice may be provided at any time and the termination will be immediate. AAX shall be entitled to terminate the Agreement immediately by written notice upon the cessation of flights to the specified Indonesian stations.
- 3.4 AAX reserves the right to carry out audits of IAA’s operations, during business hours at any time, upon prior written notice of at least seven (7) calendar days. IAA shall fully cooperate with AAX, provide free access to its premises, places of work, procedures manuals, records, and training programs, provided this audit is directly related to IAA’s provision of ground handling services under the Agreement.
- 3.5 IAA agrees to fulfill and comply at all times with the service standards set out in Attachment B of the Agreement, failing which the corresponding penalties shall apply and be deducted accordingly in the following month’s invoice to AAX.
- 3.6 The Agreement is governed by the laws of the Republic of Indonesia and the parties have agreed to refer disputes under the Agreement to the District Court of Tangerang.

#### 4. Financial Effect of the Agreement

The Agreement will not create material financial impact in the current financial year nor will it have any effect on the share capital and substantial shareholders' shareholdings of the Company. It is 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. Basis of Consideration

The contract price of RM780,000 is an estimated value derived based on the ground handling costs per turnaround in the respective Indonesian stations in accordance with the arrangement as set out in the Agreement.

#### 6. Financial Risks

The financial risks associated with the Agreement are expected to be minimal as the risks are limited to the total consideration as stated in Section 5 above.

#### 7. Rationale for the Transaction

In order to facilitate and support AAX's operational requirements in the Indonesian stations, AAX will require ground handling services from IAA at the specified Indonesian stations.

#### 8. Directors' and Major Shareholders' Interests

The Related Parties are deemed interested in the Agreement and they have abstained from all management and Board of Directors' deliberations in respect of the Agreement. The Related Parties' direct and indirect shareholdings in the Company as at 3 April 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 Agreement.

#### 9. Audit Committee's Opinion

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

#### 10. 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 Agreement is of the opinion that entering into the Agreement is in the best interest of the Company.

**11. Approval Required**

The value of the Transaction would not breach the 5% percentage ratio as prescribed under the MMLR. As such the Company does not require the approval of its shareholders.

**12. Highest Percentage Ratio**

The highest percentage ratio applicable to this Transaction is 0.12% 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 0.79%.

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 RM4,226,012.

**13. Document available for inspection**

The Agreement is 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 3 April 2017.**