

Bursa Announcement

Subject: Profit Sharing Agreement entered into between AirAsia Berhad and AirAsia X Berhad

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1. Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**MMLR**”), the Board of Directors of AirAsia X Berhad (“**AAX**” or “**the Company**”) wishes to announce that the Company and AirAsia Berhad (“**AAB**”) have on 10 November 2019 entered into the Profit Sharing Agreement (“**Agreement**”) to govern the terms and conditions of a profit sharing arrangement in relation to the transfer of two (2) slots of Kuala Lumpur – Singapore route (“**Airport Slots**”) from AAB to the Company (“**Transaction**”).

2. Details of AAB

- 2.1 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.
- 2.2 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 AirAsia Group Berhad (“**AAGB**”) on 16 April 2018, AAB is now a wholly-owned subsidiary of AAGB.
- 2.3 AAB is deemed to be a related party to AAX by virtue of the fact that AAGB’s directors and major shareholders, namely Datuk Kamarudin bin Meranun and Tan Sri Anthony Francis Fernandes are also the Directors and Major Shareholders in AAX. Dato’ Fam Lee Ee is a director in AAGB, and represents AAGB as a Director in AAX.

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

3. Salient Terms of the Agreement

- 3.1 The Agreement shall be effective on the date of the Agreement, for a period of one (1) year, and may be renewed for another one (1) year (“**Term**”) by mutual agreement in writing by both AAX and AAB. Unless otherwise agreed in writing and subject to regulatory approval, in the event AAX’s performance of the Kuala Lumpur – Singapore route (“**KUL-SIN Route**”) does not meet the mutually agreed expectations or the Agreement is not extended or that AAX ceases or intends to cease operation of the KUL-SIN Route, the Airport Slots shall be returned to AAB.
- 3.2 In consideration of the terms and conditions agreed, both AAX and AAB agree to share fifty percent (50%) of the Net Operating Profit for each calendar month during the Term.
- 3.3 The fifty percent (50%) Net Operating Profit payment to AAB will be on a monthly basis and shall be payable by AAX to AAB within seven (7) days of the date of receipt of the invoice.

- 3.4 AAX shall return to AAB the following after receiving such relevant incentive or rebate from Changi Airport:
- (a) all incentive or rebate, that AAX may receive from Changi Airport, in relation to the released slots and/or the KUL-SIN Route accrued prior to the effective date; and
 - (b) fifty percent (50%) of any incentive or rebate that AAX may receive from Changi Airport, in relation to the KUL-SIN Route accrued during the Term.
- 3.5 The Agreement shall be governed by the laws of Malaysia and the mode of dispute resolution will be the courts in Kuala Lumpur.

4. Effects of the Agreement

The Agreement will not have any material financial impact on the Company and/or its subsidiaries (“**Group**”) in the financial years ending 31 December 2019 and 31 December 2020 nor will it have any effect on the share capital and substantial shareholders’ shareholdings of AAX. It is 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 years ending 31 December 2019 and 31 December 2020.

5. Basis of Arriving at and Justification for the Consideration

The Airport Slots acquired by AAX is rated as AAB’s most profitable route with high load factors in the previous years. Further, the 14x weekly flights as per the flight schedule will also contribute to increase fly-thru seats availability and the load factor especially into and from India, China, Korea and Japan markets. In exchange for the Airport Slots, both parties have mutually agreed to share the Net Operating Profit on a 50-50 basis. The Net Operating Profit was derived by calculating the total ticket revenue plus total ancillary revenue plus any other income received in connection with the KUL-SIN Route minus total cost of sales, operating expenses and any other expenses incurred in connection with the KUL-SIN Route.

6. Risks Factor

The financial risks associated with the Agreement are expected to be minimal as the forecast reflects profitability for 11 out of 12 months considering sales lead time, seasonality and historical performance by AAB.

7. Rationale and Benefits of the Transaction

- 7.1 The Transaction will introduce a strategic growth for AAX in a slot constrained airport and maximize the Company’s aircraft utilization, and in the meantime to generate revenue which can minimize the existing sunk cost.
- 7.2 Allocated aircraft time for KUL-SIN-KUL schedule are between 08:00 am to 16:00 pm of which the aircraft will be on ground and can't be used to operate long haul routes. Transaction will therefore be able to utilize small pockets of unutilised aircraft time and generate additional revenue with the capacity of three hundred and seventy-seven (377) seats per aircraft. Therefore, the commencement of this new route between Kuala Lumpur and Singapore will increase: (a) average aircraft utilization by 0.2 hours; and (b) connectivity to Singapore based on its route performance and network planning independent of AAB.
- 7.3 Further, there are potentials to increase the number of fly-thru passengers into Singapore from core markets e.g. China, India, Japan and Korea, where currently AAX is only carrying 1% from the total industry passengers from these markets. This is due to lack of capacity and very strong demand on point to point where not enough seats left for fly-thru passengers. Subsequently, by increasing the number of fly-thru passengers into

Singapore, it is also expected to contribute to the load factor for the flights from these markets.

- 7.4 Based on the one (1) year projected forecast, the Transaction will generate an estimated amount of MYR 2,420,853.00 in profit, taking into account the operational cost and other costs.

8. Directors' and/or Major Shareholders' Interests and/or Persons Connected to Them

- 8.1 Save as disclosed in Section 2.3 above and table below, none of the Directors and Major Shareholders of the Company as well as persons connected with them has any interest, direct and/or indirect in the Agreement:-

Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Datuk Kamarudin bin Meranun	370,709,939	8.94	1,310,331,376 ⁽¹⁾	31.59
Tan Sri Anthony Francis Fernandes	111,587,228	2.69	1,310,331,376 ⁽¹⁾	31.59
Dato' Fam Lee Ee	-	-	-	-
Major Shareholders				
Tune Group Sdn Bhd	739,602,874	17.83	-	-
AAB	570,728,502	13.76	-	-
Datuk Kamarudin bin Meranun	370,709,939	8.94	1,310,331,376 ⁽¹⁾	31.59
Tan Sri Anthony Francis Fernandes	111,587,228	2.69	1,310,331,376 ⁽¹⁾	31.59

Note:

- ⁽¹⁾ Deemed interested by virtue of their interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

- 8.2 The Related Parties are deemed to have interest in the Agreement and they have abstained from all management and Board's deliberations and votings in respect of the Agreement.

9. Audit Committee's Statement

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

10. Board of Directors' Statement

The Directors (other than Datuk Kamarudin bin Meranun, Tan Sri Anthony Francis Fernandes and Dato' Fam Lee Ee, the Directors who have abstained as stated in Section 8 above) having considered all the relevant factors in respect of the Transaction, are of the view that entering into the Agreement is 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.

11. Approval Required

The Agreement is not subject to the shareholders' approval and approval of any government authorities.

12. Highest Percentage Ratio

The highest percentage ratio applicable to this Transaction pursuant to Paragraph 10.02(g) of the MMLR computed based on the audited financial statements of the Company on consolidated basis for the financial year ended 31 December 2018 is 0.42%.

The aggregate percentage ratio of the related party transactions entered into by the Company with the Related Parties and the persons connected to them pursuant to Paragraph 10.12 of the MMLR is as follows:

Transactions	Date of Transactions	Relevant Percentage Ratio
Profit Sharing Agreement	10 November 2019	0.42%
Wet Lease Agreement	23 May 2019	0.38%
	Total	0.80%

13. Total Amount Transacted for the Preceding Twelve (12) Months

The total amount transacted between the Company and the Related Parties and/or persons connected with them for the preceding twelve (12) months is RM2,181,375.47.

14. Document available for inspection

The Agreement is available for inspection by members at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia 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 11 November 2019.