

Bursa Announcement

Subject: Service Level Agreement (“Agreement”) between AirAsia X Berhad (“AirAsia X” or “the Company”) and Asian Aviation Centre of Excellence Sdn. Bhd. (“AACE”)

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1. Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors (“the Board”) of AirAsia X wishes to announce that the Company and AACE has on 25th February 2016 entered into the Agreement to govern the service levels for the services provided under the Commercial Agreement for Training Services dated 24th June 2011 (“TSA”) and Commercial Agreement for Non-Pilot Training Services dated 24th June 2012 (“Non-Pilot TSA”) by AACE (“the Transaction”).

2. Details of AACE

AACE is a company incorporated under the laws of Malaysia and is in the business of Operating an Aviation Academy for the Provision of Pilot Training, Maintenance Training, Cabin Crew Training, Training for Management Services and Guest Services and is jointly owned by CAE International Holdings Limited (“CAE”) (Company No. 236730-1) and AirAsia Berhad (Company No. 284669-W). AACE is deemed to be a related party to AirAsia X by virtue of the fact that AirAsia Berhad’s Directors and/or major shareholders (i.e. Datuk Kamarudin Bin Meranun, Tan Sri Dr. Anthony Francis Fernandes and Dato’ Fam Lee Ee) are also the Directors and/or major shareholders in AirAsia X.

(Tan Sri Dr. 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 will be in full force and effect in accordance to the existing TSA and Non-Pilot TSA until its expiry. Prior to the end of the initial terms and provided that the TSA and Non-Pilot TSA is renewed, AACE or AAX may renew the Agreement by mutual agreement.
- 3.2 AACE and AAX has agreed to provide strategic and proactive advice/support in respect of the following:
 - (a) trainings and relevant standards related to the developments and requirements of pilots’ trainings and non-pilot training; and
 - (b) sound management and delivery of learning interventions.
- 3.3 The standards of training shall be measured by way of the following methodologies:
 - (a) trainees feedback on training deliveries;
 - (b) training observation and trend analysis by AAX; and
 - (c) internal and external audit results.
- 3.4 AACE shall ensure that sufficient skilled learning and development practitioners/instructors are available to render training services as required by AAX in accordance with the terms under the Agreement, the TSA and the Non-Pilot TSA.
- 3.5 Performance assessments will be conducted as follows:
 - (a) AACE will conduct feedback assessment at the end of each course (as defined in the TSA and Non-Pilot TSA) conducted and shall provide a quarterly summary to AAX;
 - (b) AAX will audit each course on several occasions annually to ascertain compliance and relevance of the training deliverables.
- 3.6 AACE and AAX shall comply with the general obligations and statutory requirements governing the working relationship of the parties insofar the training services are concerned.
- 3.7 The Agreement may be terminated by mutual agreement between the AACE and AAX or upon expiry or termination of the TSA and/or Non-Pilot TSA.
- 3.8 The Agreement is governed by the laws of Republic of Singapore. In the event of dispute or breach arising out of or relating to the Agreement, AACE and AAX shall be subjected to the exclusive jurisdiction of the courts in Singapore.

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 2016.

5. Basis of Consideration

Due to the nature of the Agreement, there will be no consideration applicable to the Transaction.

6. Financial Risks

The financial risks associated with the Agreement are expected to be minimal as no monetary consideration is involved in the transaction.

7. Rationale for the Transaction

To meet the requisite requirement of maintaining the IATA Operational Safety Audit (IOSA) approval and to ensure services rendered by AACE meets AAX's standard, requirement and training needs.

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 25th February 2016 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	1,310,331,376	31.588
Datuk Kamarudin bin Meranun	337,702,739	8.141	1,310,331,376	31.588

Note:

* deemed interested by virtue of Section 6A of the Companies Act, 1965 through a shareholding of more than 15% in AirAsia Berhad 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 Bursa Malaysia's MMLR. As such the Company does not require the approval of its shareholders.

12. Highest Percentage Ratio and total amount transacted

The highest percentage ratio applicable to this Transaction is 0.00% 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 2.66%.

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 (12) months is USD 3,028,947.54 or RM 13,004,786.30 calculated based on the prevailing exchange rate.

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 25th February 2016.