

Bursa Announcement

Subject: Wet Lease Agreement (“Agreement”) between AirAsia X Berhad (“AirAsia X” or “the Company”) and AirAsia Berhad (“AAB”)

Contents:

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 AAB has on 16 March 2016 entered into the Agreement for AirAsia X to wet lease one (1) A330 aircraft (“Aircraft”) to AAB’s for return flights from Kuala Lumpur (“KUL”) to Kota Kinabalu (“BKI”) (“the Transaction”).

2. Details of AAB

AAB is a low-cost carrier which was incorporated on 20 December 1993 as AirAsia Sdn. Bhd. and converted into a public limited company as AirAsia Berhad on 8 June 2004. AAB was listed on the Main Market of Bursa Malaysia Securities Berhad on 22 November 2004, AAB currently has its hub 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 operated a fleet of 81 Airbus A320s.

AAB is deemed to be a related party to AAX by virtue of the fact that 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.

(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 lease term under the Agreement will commence on 17th March 2016 until its conclusion on 12th June 2016.
- 3.2 The flights to be serviced by AAX to AAB shall be in accordance to the terms and conditions under the Agreement and to the terms and conditions of carriage.
- 3.3 Full payment of USD 4,928,000 shall be made by AAB to AAX upon execution of the Agreement.
- 3.4 AAX may terminate the Agreement due to a breach by providing an immediate notice to AAB.
- 3.5 In the event the operation of the Aircraft is delayed or cancelled due to factors directly attributable to AAB, its employees, agents, or subcontractors, whether caused by damage to the Aircraft or operational or technical reasons, AAB shall be required to pay AAX 50% of the minimum guaranteed hours for the lease term.
- 3.6 The Agreement may be extended based on mutual agreement between AAX and AAB.
- 3.7 The Agreement shall be governed by the laws of Malaysia and the mode of dispute resolution will be the courts in Kuala Lumpur.

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

The Agreement will generate USD 4,928,000 in revenue upon conclusion of the Transaction. The operational cost including but not limited to aircraft maintenance, provision of pilot and crew were the basis of parties deriving to the contract value under 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 3.3 above.

7. Rationale for the Transaction

In order to accommodate to the operational constraint of AAB, it is imperative that AAX formalizes the Agreement with AAB in order to facilitate the carriage of AAB passengers for KUL – BKI return flights during the mid-year peak period.

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 16 March 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 2.45% 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 4.63%.

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.

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 16 March 2016.