

Bursa Announcement

Subject: Commercial Services Sharing and Support to be provided by AirAsia X Berhad to Philippines AirAsia Inc. ("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 Philippines AirAsia Inc. ("PAA") has on 31 March 2017 entered into a Commercial Services Agreement ("Agreement") for the Company to provide commercial sharing services and support ("Services") to PAA, for the purpose of PAA's flights into and out of the destinations that AAX flies to.

2. Details of PAA

- 2.1 PAA is a low-cost airline operating in and out of several hubs in the Philippines, flying both domestic and international routes. The airline is the Philippines affiliate of AirAsia Berhad ("AAB"), a low-cost airline based in Malaysia. On February 7, 2012, PAA received its Air Operator Certificate from the Civil Aviation Authority of the Philippines which gives PAA permission to fly in Philippine airspace.
- 2.2 PAA is deemed to be a related party to AAX by virtue of the fact that (i) AAB is the holding company of AirAsia Investment Limited, which holds 40% shareholdings in AirAsia Inc., which in turn holds 49% shareholdings in PAA, 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.

(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 shall be deemed to have commenced on the Effective Date, and shall be valid for one (1) year thereof and shall continue and be deemed to be renewed on an annual basis unless a sixty (60) days' notice in advance is provided by AAX for non-renewal.
- 3.2 The Agreement presently is tailored to cover the following Services to be provided by AAX:
 - (a) Airport Management and Group Handling services (including line operations and manpower); and
 - (b) Government and Regulatory Liaison services.
- 3.3 All sums due to AAX shall be paid within thirty (30) business days of the submission of AAX invoices to PAA.
- 3.4 The Agreement may be terminated by either AAX or PAA by providing a written notice in the event of default. Notwithstanding the aforesaid, AAX and PAA have the option to unilaterally terminate the Agreement by serving to the other party two (2) months' written notice.
- 3.5 This Agreement shall be governed in accordance with the Laws of Malaysia in every particular including its formation and interpretation. Any dispute, difference, controversy or claim arising out of or in relation to the Agreement, or breach, termination or invalidity thereof shall be settled, insofar as it is possible, by mutual consultation and consent in the spirit of good faith, and if the Parties are unable to reach an agreement within fourteen (14) Business Days after written notice of a dispute is given by one Party to the other, the dispute, difference, controversy or claim shall be decided by an arbitrator in accordance with the Rules of Arbitration of the Kuala Lumpur Regional Centre for Arbitration.

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 RM1,383,000 is an estimated value derived based on the expense chargebacks 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

- 7.1 In order to facilitate PAA's operational requirements in the AAX stations that it flies to or plans to fly to, PAA will require operational assistance from AAX through its employees, office premise(s) and other applicable facilities (as the case may be) to be provided by AAX in the said stations.
- 7.2 As the Agreement is entered into on the basis of the sharing of resources and costs between AAX and PAA, AAX will reduce its operations cost at each of the stations that PAA flies to or intends to fly to by executing the Agreement with PAA.

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 31 March 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 0.22% 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 0.67%.

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 RM2,843,062.

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 31 March 2017.