

Bursa Announcement

Subject: Wet Lease 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 have on 23 May 2019 entered into a Wet Lease Agreement (“**Agreement**”) with AirAsia Berhad (“**AAB**”) to lease one (1) Airbus A330-343 (“**Aircraft**”) (“**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 become the leading low cost airline in Asia. It currently operates a fleet of 92 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 signing of the Agreement and will expire on 16 June 2019, unless terminated earlier by either AAX or AAB, for any reasons whatsoever by providing seven (7) days prior written notice. For material breach termination shall be effective immediately upon receipt of written notice.
- 3.2 The wet lease periods will commence on (i) 31 May 2019 to 4 June 2019; and (ii) 7 June 2019 to 16 June 2019 (“**Wet Lease Periods**”).
- 3.3 The Aircraft to be leased by AAX to AAB on a wet lease basis shall be in accordance with the terms and conditions stipulated under the Agreement and the Terms and Conditions of Carriage.
- 3.4 Total consideration of MYR2,181,375 (exclusive of the 6% Sales and Service Tax) in cash term shall be payable by AAB to AAX within thirty (30) days of AAB’s receipt of AAX’s invoice (which invoice shall be issued by AAX at the end of the Wet Lease Periods).
- 3.5 In the event there’s any cancellation, re-route and/or re-schedule the flights for commercial reasons, AAB shall give 48 hours prior notice to AAX and if such changes leads to additional direct cost of AAX, then AAB shall compensate AAX in full.
- 3.6 The Agreement shall be governed by the laws of Malaysia and the mode of dispute resolution will be resolved by arbitration at the Asian International Arbitration Centre.

4. Effects of the Agreement

This Agreement will not have any material financial impact on the Company and/or its subsidiaries (“Group”) in the financial year ending 31 December 2019 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 year ending 31 December 2019.

5. Basis of Arriving at and Justification for the Consideration

The key terms in the Transaction are based on the current market practice and the same terms are available to other AOCs bearing the brand name of AirAsia or AirAsia X, subject to the market situation and other variables at such time. Furthermore, the rates offered to AAB was arrived on an agreed basis by both AAB and AAX, and derived based on the operational cost and aircraft downtime.

6. Risks Factors

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 3.4 above.

7. Rationale of the Transaction

As the Aircraft will be on the ground and not used during the wet lease period, the Agreement will therefore fully utilised the Aircraft and additionally facilitate or support AAB’s initiative to operate more flights during the festive break in the month of May and June 2019.

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 [^]	31.59 [^]
Tan Sri Anthony Francis Fernandes	111,587,228	2.69	1,310,331,376 [^]	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 [^]	31.59 [^]
Tan Sri Anthony Francis Fernandes	111,587,228	2.69	1,310,331,376 [^]	31.59 [^]

Note:

[^] 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 0.38%.

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

There were no transactions entered into between the Company and the Related Parties and/or persons connected with them for the preceding twelve (12) months.

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 23 May 2019.