

Bursa Announcement

Subject: Commercial Services Sharing and Support to be provided by AirAsia X Berhad to AirAsia Japan Co. Ltd.

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 AirAsia Japan Co. Ltd (“AAJ”) has on 10 March 2017 entered into a Commercial Services Agreement (“Agreement”) to provide commercial sharing services and support (“Services”) to AAJ, for the purpose of AAJ’s flights into and out of the destinations that AAX flies to.

2. Details of AAJ

- 2.1 AAJ was incorporated on 14 March 2014 through a joint venture between AirAsia Berhad (“AAB”) through its wholly-owned subsidiary AirAsia Investment Ltd., Octave Japan Infrastructure Fund I GK, Rakuten Inc., and Noevir Holdings Co. Ltd. On 25 September 2015, FinTech Global Trading Incorporated executed an amendment to the shareholders agreement and became a shareholder in AAJ. On 29 December 2016, Octave Japan Infrastructure Fund II GK executed an amendment to the shareholders agreement and became a shareholder in AAJ.
- 2.2 AAJ obtained its Air Operator’s Certificate (“AOC”) on 6 October 2015 from Japan’s Transport Ministry to operate flights in Japan. Its fleet consists of two (2) Airbus A320 (with seat capacities of 180 each) as of March 2017, and it is planning its first international destination from Chubu Centrair International Airport (“NGO”), Japan to Taiwan Taoyuan International Airport, Taipei (“TPE”), Taiwan in 1H2017.
- 2.3 AAJ 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 duration of the Agreement is one (1) year and it shall continue and be deemed to be renewed on an annual basis unless a sixty (60) days’ notice in advance is provided by either Party to the other Party for non-renewal.
- 3.2 The Agreement presently is tailored to cover the following Services to be provided at TPE by the AAX departments below:
 - (a) Line Operations Department; and
 - (b) People Department.
- 3.3 All sums due to AAX shall be paid within thirty (30) business days of the submission of AAX invoices to AAJ.
- 3.4 The Agreement may be terminated by either AAX or AAJ by providing a written notice in the event of default. Notwithstanding the aforesaid, AAX and AAJ have the option to unilaterally terminate the Agreement by serving to the other party three (3) 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 RM332,000 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 AAJ's operational requirements in TPE, AAJ 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 TPE. With the view of the above as an initial start to the charge back arrangement between AAX and AAJ under the Agreement, the Agreement itself will accommodate to future requests by AAJ to procure Services from AAX in other stations or countries that AAX operates as well.
- 7.2 As the Agreement caters to the sharing of resources between AAX and AAJ, AAX will reduce its operations cost at TPE station and in the future, at other stations by executing the Agreement with AAJ.

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 10 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 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 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 0.05% 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 0.45%.

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 RM2,511,000.

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 10 March 2017.