

Bursa Announcement

Subject: AirAsia Group Berhad – Wet Lease Agreement entered into by AirAsia Berhad, a wholly-owned subsidiary of AirAsia Group Berhad, with AirAsia X Berhad.

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 Group Berhad (“AAGB” or “the Company”) wishes to announce that AirAsia Berhad (“AAB”), a wholly-owned subsidiary of the Company, has on 23 May 2019, entered into a Wet Lease Agreement (“Agreement”) with AirAsia X Berhad (“AAX”) to govern the terms and conditions of leasing one (1) Airbus A330-343 aircraft with complete crew, maintenance and insurance by AAX to AAB on a wet lease basis, which pays by hours operated during the festive break in May and June 2019 (“Transaction”).

The Agreement is regarded as a related party transaction pursuant to Paragraph 10.08 of the MMLR.

2. Details of AirAsia X Berhad

2.1 AAX was incorporated in Malaysia on 19 May 2006, and is a leading long-haul, low-cost airline operating primarily in the Asia-Pacific region. With its breakthrough business model, it has the lowest unit cost base which enables it to stimulate new market demand.

2.2 The total issued and paid-up share capital of AAX is RM1,534,043,399.05 comprising 4,148,148,552 ordinary shares.

2.3 The directors who are also the major shareholders of AAX and their respective shareholding in AAX as at the date of announcement are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Directors				
Datuk Kamarudin Bin Meranun	370,709,939	8.94	1,310,331,376(1)	31.59 [^]
Tan Sri Anthony Francis Fernandes	111,587,228	2.69	1,310,331,376(1)	31.59 [^]
Major Shareholders				
Tune Group Sdn Bhd (“TGSB”)	739,602,874	17.83	-	-
AirAsia Berhad (“AAB”)	570,728,502	13.76	-	-
Tan Sri Anthony Francis Fernandes	111,587,228	2.69	1,310,331,376 [^]	31.59 [^]
Datuk Kamarudin bin Meranun	370,709,939	8.94	1,310,331,376 [^]	31.59 [^]

Notes:

[^] Deemed interested by virtue of their interests in TGSB and AAB pursuant to Section 8 of the Companies Act 2016.

- 2.4 The directors of AAX are as follows: -
- (i) Tan Sri Rafidah Aziz;
 - (ii) Datuk Kamarudin bin Meranun;
 - (iii) Tan Sri Anthony Francis Fernandes;
 - (iv) Dato' Yusli bin Mohamed Yusoff;
 - (v) Lim Kian Onn;
 - (vi) Tan Sri Asmat bin Kamaludin; and
 - (vii) Dato' Fam Lee Ee.

3. Salient Terms of the Agreement

- 3.1. The Agreement will be effective on the date of signing of the Agreement and will expire on 16 June 2019, unless terminated earlier by either AAB or AAX, for any reasons whatsoever, by providing seven (7) days' prior written notice. In the event of a material breach, either AAB or AAX can terminate the Agreement with immediate effect upon giving written notice to the other party.
- 3.2. AAB will lease one (1) Airbus A330-343 aircraft from AAX in accordance with the terms and conditions stipulated under the Agreement and the Terms and Conditions of Carriage. The lease periods for the aforesaid aircraft shall be as follows:
- (i) From 31 May 2019 to 4 June 2019; and
 - (ii) From 7 June 2019 to 16 June 2019.
- 3.3. AAB will pay AAX a total consideration of Ringgit Malaysia Two Million One Hundred Eighty One Thousand Three Hundred Seventy Five (RM2,181,375), exclusive of the 6% Sales and Service Tax, within thirty (30) days from the receipt of the invoice from AAX.
- 3.4. In the event of any cancellation, re-route and/or re-schedule of the flights for commercial reasons, AAB will give forty-eight (48) hours' prior notice to AAX and if such changes lead to additional direct costs for AAX, then AAB will compensate AAX such costs in full.
- 3.5. The Agreement is governed by the laws of Malaysia and any dispute will be resolved by arbitration at the Asian International Arbitration Centre.

4. Effects of the Transaction

The Transaction 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 the

Company. 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. The same terms are available to other entities which hold air operator certificate and bear the brand name of AirAsia or AirAsia X, subject to the market situation and other variables at such time. Furthermore, based on the benchmark against other third-party lessors, the rates offered by AAX are the lowest in the market.

6. Risks Factors

The financial risks associated with the Transaction are expected to be limited to the contract value. There is no other risk associated with the Transaction.

7. Rationale and Benefits of the Transaction

By wet-leasing the Airbus 330-343 aircraft from AAX, AAB can meet the business needs to strengthen its sales and market share for the peak period during Hari Raya holidays in June 2019. The upsizing will allow AAB to capitalise the high demand of the peak holiday season. With the Airbus 330-343's hours/capacity injection into the domestic route, AAB will be able to cater to the high demand (current load factor forecast at 90%) to generate additional revenue in 2019 which will contribute to the Group's revenue and profitability.

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	%
Tan Sri Anthony Francis Fernandes	1,600,000	0.05	1,075,485,082 [^]	32.18 [^]
Datuk Kamarudin bin Meranun	2,000,000	0.06	1,075,485,082 [^]	32.18 [^]
Major Shareholders				
Tune Live Sdn Bhd ("TLSB")	559,000,000	16.73	-	-
Tune Air Sdn Bhd ("TASB")	516,485,082	15.45	-	-
Tan Sri Anthony Francis Fernandes	1,600,000	0.05	1,075,485,082 [^]	32.18 [^]
Datuk Kamarudin bin Meranun	2,000,000	0.06	1,075,485,082 [^]	32.18 [^]

Note:

^ Deemed interested by virtue of their interests in TLSB and TASB pursuant to Section 8 of the Companies Act 2016.

8.2 Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are deemed to have interest in the Agreement (“the Related Parties”) and they have abstained from all management and Board’s deliberations and voting in respect of the Agreement.

9. Audit Committee’s Statement

The Audit Committee of AAGB, having considered all aspects 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 interests of the minority shareholders of the Company.

10. Board of Directors’ Statement

The Directors (other than the Related Parties as stated in Section 8.2 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, as the Agreement is entered under fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders of the Company.

11. Approvals 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 the Agreement and all other transactions between the Company and the Related Parties pursuant to Paragraph 10.12 of the MMLR computed based on the audited financial statements of the Company on consolidated basis for the financial year ended 31 December 2018 are as follows:

Related Party Transactions	Date of Transaction	Total Amount Transacted (RM)	Relevant Percentage Ratio
Wet Lease Agreement entered into by AAB with AAX for leasing of Airbus A330-343 aircraft	17 May 2019	2,312,258	0.03
Corporate Rate Agreement entered into between AAB and Tune Hotels Management Sdn. Bhd.	7 September 2018	657,216	0.01
		Total	0.04

The transactions listed above are not subject to the shareholders' approval and the approval of any government authorities.

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

The total amount transacted between the Company and the Related Parties and/or persons connected with them for the preceding twelve (12) months is RM657,216.

14. Documents 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 3 months from the date of this announcement.

This announcement is dated 24 May 2019.