

## **Bursa Announcement**

**Subject : Secondment Agreement between AirAsia Berhad and AirAsia X Sdn. Bhd.**

### **Contents:**

#### **1. Introduction**

AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that it has today entered into a Secondment Agreement (“the Agreement”) with AirAsia X Sdn Bhd (“AAX”) for the Company to second its pilots to AAX.

#### **2. Details of AAX**

AAX was incorporated on 19<sup>th</sup> May 2006 and is principally engaged in the provision of long haul air transportation services. AirAsia is holding the entire 42,666,667 Redeemable Convertible Preference Shares Series I of RM1.00 each (“RCPS”) in AAX. If the RCPS are converted to ordinary shares, AirAsia will hold 16% of AAX issued and paid up capital.

Both Tan Sri Dr. Anthony Francis Fernandes and Dato’ Kamarudin Bin Meranun, the Directors and major shareholders of the Company are also Directors of AAX. The current major shareholder of AAX is Aero Ventures Sdn Bhd (“Aero Ventures”).

Aero Ventures is a company in which Tan Sri Dr. Anthony Francis Fernandes and Dato’ Kamarudin Bin Meranun (“Related Parties”) are substantial shareholders. Each of the Related Parties has direct and indirect interest of 31.48% and 54.11% respectively in Aero Ventures.

By virtue of the Related Parties’ shareholding in Aero Ventures, the entering into the Agreement is deemed to be a related party transaction.

#### **3. Salient terms of the Agreement**

- AirAsia and AAX have agreed that selected AirAsia pilots (“Personnel”) are to be seconded to AAX;
- The Personnel will perform the services in accordance with industry standards, instructions given by AAX, policies, guidelines, disciplinary policy and procedures;
- AirAsia will not be obligated to replace Personnel if any of the Personnel resigns from service or becomes unable to perform his duties under this Agreement due to medical reasons;
- AAX is to provide the Personnel with among others duty travel, training, transportation, medical expenses, allowances and other incidentals;

- AAX shall be responsible for obtaining necessary work permits;
- Payment: AAX shall reimburse AirAsia the Personnel's salary, employer's statutory EPF and Socso contributions together with sector, flying and other allowances;
- AAX shall pay to AirAsia, throughout the period of the secondment, a management fee of 10% of the total secondment cost plus administration costs;
- Payments of the above to be made within 30 days from the date of the invoice issued by AirAsia; and
- Commencement of the Agreement is on the date of signing and remains effective for a 12 months period.

The projected consideration sum in relation to the secondment of pilots provided in the Agreement shall be RM8,223,410.10.

#### **4. Rationale**

During the initial years of its operations, all of AAX's pilot requirement was met by AirAsia under the Services Agreement first signed on 31<sup>st</sup> October 2007. At its height, a total of 85 AirAsia pilots were trained and made to operate AAX's widebody aircraft. However pursuant to a joint decision to split the operations of the two airlines effective November 2010, AAX has since been employing its own pilots to reduce its dependency on AirAsia. This Secondment Agreement is essentially an extension of the previous Service Agreement relating to Flight Operations and currently involves only 20 pilots. It is intended to be transitional.

#### **5. Financial effect of entering into the Agreement**

The Agreement will not create any material financial impact in the current financial year nor will it have any effect on the share capital and substantial shareholders' shareholdings of AirAsia in the current financial year. It is also not expected to have a material effect on the net assets per share, earnings per share and gearing of AirAsia for this financial year ending 31 December 2011.

#### **6. Financial Risks**

The financial risks associated with the entering into the Agreement are expected to be very limited because the Company will not be employing more pilots other than what it is currently having or acquiring for its own operational needs.

#### **7. Directors' and major shareholders' interests**

The Related Parties are deemed interested in the Agreement. They have previously abstained and will continue to abstain from all Board and management deliberations in respect of the entering into the Agreement.

The Related Parties' direct and indirect shareholdings in AirAsia as at 26 August 2011 are as set out in the table below:-

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Tan Sri Dr Anthony Francis Fernandes	2,627,010	0.09	362,957,782*	13.07
2. Dato' Kamarudin bin Meranun	1,692,900	0.06	362,957,782*	13.07

*Note:*

*\* deemed interested by virtue of Section 6A of the Companies Act, 1965 through a shareholding of more than 15% in Tune Air Sdn Bhd*

Save as disclosed no other directors and/or major shareholders of AirAsia and/or persons connected with them have any interest, whether directly or indirectly, in the Agreement.

#### **8. Audit Committees' 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 Agreement entered is fair, reasonable and on commercial terms which are not detrimental to the interest of the minority shareholders due to the reasons stated in the rationale above.

#### **9. Directors' opinion**

Save for the above interested directors (who have abstained), the Board 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, is entered into under fair, reasonable and normal commercial terms and is not detrimental to interest of minority shareholders.

#### **10. Highest Percentage Ratio**

The highest percentage ratio applicable to the Agreement is 0.23% and the highest aggregated percentage ratio for all the transactions 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 Malaysia Securities Berhad is 1.57%.

**11. Total Amount Transacted for the preceding 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 was RM65,044,587.87.

**12. Approval required**

AirAsia does not require the approval of its shareholders or any authorities to enter into the Agreement.

**13. Document available for inspection**

The Agreement which is signed today is available for inspection at the registered office of the Company at 25-5, Block H, Jalan PJU 1/37, 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 26<sup>th</sup> August 2011.