

Bursa Announcement

Subject: AIRCRAFT WET LEASE AGREEMENT BETWEEN AIRASIA BERHAD AND AIRASIA X BERHAD TO MITIGATE OPERATIONAL CONSTRAIN FROM 17 MARCH 2016 TO 12 JUNE 2016 PEAK PERIOD

Content:

1. Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that it has today entered into an Aircraft Wet Lease Agreement with AirAsia X Berhad (“AAX”) (“Agreement”) to mitigate operational constrain from 17 March 2016 to 12 June 2016 (hereinafter referred to as “the Transaction”). The salient terms of the Agreement are set out in Section 3 below.

2. Details of AAX

AAX was incorporated on 19 May 2006 to provide long-haul air transport business. AAX is a low-cost, long-haul carrier that currently flies to destinations in China, Australia, Taiwan, Korea, Japan, Nepal and Saudi Arabia.

Both Tan Sri Dr. Anthony Francis Fernandes (“Tan Sri Dr. Tony Fernandes”) and Datuk Kamarudin Bin Meranun (“Datuk Kamarudin”) are the Directors and Major Shareholders of AAX. Tan Sri Dr. Tony Fernandes’ shareholding in AAX is 2.11% (Direct) and 31.59% (Indirect) and Datuk Kamarudin’s shareholding in AAX is 8.14% (Direct) and 31.59% (Indirect).

3. Salient Terms of the Agreement

- 3.1 AirAsia will engage AAX’s services to wet lease one A330 aircraft (“Aircraft”) to operate KUL-BKI-KUL route from 17 March 2016 till 12 June 2016.
- 3.2 The cost of the wet lease is USD 4,928,000, calculated at USD 5,600 per block hour, inclusive of including flight crew, all maintenance of the Aircraft, insurance (which includes hull and third party liability and excludes passenger, baggage and cargo liability insurance), ground handling services and checked baggage charges, but excluding costs of meal services on board.
- 3.3 The flights to be serviced by AAX to AirAsia shall be in accordance to the terms and conditions under the Agreement and to the terms and conditions of carriage.
- 3.4 AAX may terminate the Agreement due to a breach by providing an immediate notice to AirAsia.
- 3.5 In the event the operation of the Aircraft is delayed or cancelled due to factors directly attributable to AirAsia, its employees, agents, or subcontractors, whether caused by damage to the Aircraft or operational or technical reasons, AirAsia shall be required to pay AAX the cost which is directly attributable to such delay or cancellation.
- 3.6 The Agreement may be extended based on mutual agreement between AAX and AirAsia.

3.7 The Agreement shall be governed by the laws of Malaysia and the mode of dispute resolution will be the courts in Kuala Lumpur.

4. Commercial Terms of the Transaction

4.1 The flight schedule for routes which will utilise the Aircraft is as follows:

Flight Number	Sector	STD	STA	Fleet	Period
AK 5109	BKI – KUL	1055	1325	A330	17 March – 26 Mar 2016
AK 5110	KUL – BKI	0645	0920	A330	17 March – 26 Mar 2016
AK 5118	KUL – BKI	1630	1905	A330	17 March – 26 Mar 2016
AK 5121	BKI – KUL	2015	2250	A330	17 March – 26 Mar 2016

Flight Number	Sector	STD	STA	Fleet	Period
AK 5109	BKI – KUL	1055	1325	A330	27 March – 12 June 2016
AK 5110	KUL – BKI	0630	0905	A330	27 March – 12 June 2016
AK 5118	KUL – BKI	1625	1900	A330	27 March – 12 June 2016
AK 5121	BKI – KUL	2010	2245	A330	27 March – 12 June 2016

4.2 Cancellation and Re-Accommodation of AirAsia's Scheduled Services

The corresponding AirAsia scheduled services appended below will be cancelled and passengers will be re-accommodated onto the flights specified in item 3.1 above.

Flight Number	Sector	STD	STA	Fleet	Period
AK 5108	KUL – BKI	0750	1030	A320	17 March – 26 Mar 2016
AK 5111	BKI – KUL	0945	1220	A320	17 March – 26 Mar 2016
AK 5119	BKI – KUL	1935	2205	A320	17 March – 26 Mar 2016
AK 5120	KUL – BKI	1715	1950	A320	17 March – 26 Mar 2016

Flight Number	Sector	STD	STA	Fleet	Period
AK 5108	KUL – BKI	0750	1030	A320	27 March – 12 June 2016
AK 5111	BKI – KUL	0930	1200	A320	27 March – 12 June 2016
AK 5119	BKI – KUL	1925	2155	A320	27 March – 12 June 2016
AK 5120	KUL – BKI	1710	1945	A320	27 March – 12 June 2016

5. Financial Risks

The financial risks associated with the Agreement are expected to be limited to the contract value.

6. Basis of Consideration

The amount of USD5,600 per block hour, amounting to USD 4,928,000 (approximately MYR 20,353,000 based on exchange rate of USD 1 = MYR 4.13) was arrived pursuant to the quotation of the price by AAX.

7. Rationale for the Transaction

The rationale for the Transaction is to mitigate operational constraint in AirAsia during the peak travel season.

8. Directors' and major shareholders' interests

AAX is deemed to be a related party to AirAsia by virtue of the fact that AirAsia's Directors and/or major shareholders (i.e. Datuk Kamarudin Bin Meranun and Tan Sri Dr. Tony Fernandes) are also the Directors and/or major shareholders in AAX.

(Tan Sri Dr. Tony Fernandes and Datuk Kamarudin are collectively referred to as "Related Parties").

The Related Parties' direct and indirect shareholdings in AirAsia as at 16 March 2016 are as set out in the table below:

	Direct		Indirect*	
	No. of Shares	%	No. of Shares	%
Tan Sri Dr. Tony	1,600,000	0.057	525,042,082	18.87
Datuk Kamarudin	2,000,000	0.072	525,042,082	18.87

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 Transaction.

The Related Parties are deemed interested in the Transaction and they have abstained from all Board and management deliberations in respect of the Transaction.

9. Audit Committee's Opinion

The Audit Committee, having considered all the relevant factors in respect of the Transaction is of the opinion that entering into the Transaction 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 and due to the reasons stated in the rationale and considering the limited level of risk exposure mentioned above.

10. Statement by the Board

Save for the Related Parties (who have abstained), the Board having considered all the relevant factors in respect of the Transaction is of the opinion that entering into the Transaction is in the best interest of the Company.

11. Financial Effect of the Transaction

This transaction will not have 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. It is also not

expected to have material effect on the net assets per share, earnings per share and gearing of AirAsia for this financial year ending 31 December 2016.

12. Approval required

AirAsia does not require the approval of its shareholders and any relevant government authorities to enter into the Transaction.

13. Highest percentage ratio

The highest percentage ratio applicable to this transaction is 0.45% 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 MMLR of Bursa Securities is 4.95%.

14. Total amount transacted for the preceding twelve (12) months

The total amount transacted between AirAsia and the Related Parties and/or persons connected with them for the preceding twelve (12) months was RM133.419 million.

15. Document available for inspection

The Agreement is available for inspection by the 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 three (3) months from the date of this announcement.

This announcement is dated 16 March 2016.