

Bursa Announcement

Subject : Standard Ground Handling Agreement between AirAsia Berhad and PT Indonesia AirAsia Extra

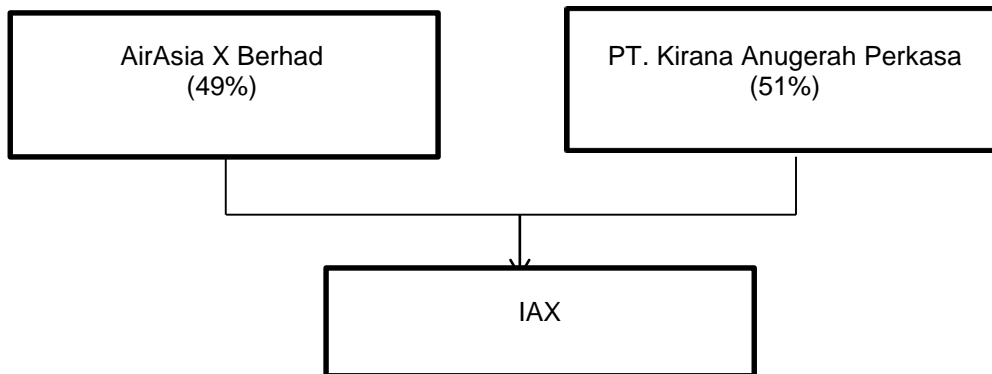
Contents:

1. Introduction

AirAsia Berhad (“**AirAsia**” or the “**Company**”) is pleased to announce that it has today entered into a Standard Ground Handling Agreement (the “**Agreement**”) with PT Indonesia AirAsia Extra (“**IAX**”), an Indonesian joint venture company of AirAsia X Berhad (“**AAX**”), in relation to the provision of technical handling for the release of aircraft during transit in Kuala Lumpur (“KUL”), Johor Bahru (“JHB”), Penang (“PEN”), Kuching (“KCH”) and Kota Kinabalu (“BKI”) Malaysia.

2. Details of IAX

IAX has already been legally established having successfully obtained both Indonesian Investment Coordinating Board and Indonesian Ministry of Law and Human Rights approvals on 13 August 2013. IAX shall engage in low-cost, long-haul transportation services under the AirAsia X brand in Indonesia. The current shareholding of the joint venture is set forth as follows:



The transaction between IAX and the Company is deemed a related party transaction by virtue of the facts as specified below:

- a) Tan Sri (Dr.) Anthony Francis Fernandes (“**Tan Sri (Dr.) Tony Fernandes**”) and Datuk Kamarudin Bin Meranun (“**Datuk Kamarudin**”) are both Directors and Major Shareholders of the Company whereby Tan Sri (Dr.) Tony Fernandes’s shareholding in the Company is 0.06% (Direct) and 18.56% (Indirect) and Datuk Kamarudin’s shareholding in the Company is 0.07% (Direct) and 18.56% (Indirect) as at 1 July 2016.
- b) AAX is holding a total of 49% equity stake in IAX and that both Tan Sri (Dr.) Tony Fernandes and 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) as at 1 July 2016.

Both Tan Sri (Dr.) Tony Fernandes and Datuk Kamarudin are referred to as “Related Parties”

3. Salient terms of the Agreement

Services	AirAsia shall provide technical handling on IAX aircraft during transit
Location	1. KUL 2. JHB 3. PEN 4. KCH 5. BKI
Validity Period	Effective 1 st June 2016 till 31 st May 2017
Termination	Thirty (30) days with written notice
Payment Obligation	Thirty (30) days upon receipt of invoice
Governing Laws	Laws of Malaysia

4. Rationale for entering into the Agreement

Below are the rationales of entering into the Agreement:

- Approval

AirAsia is currently providing standard ground handling services to PT Indonesia AirAsia under the approval given by the Director General of Civil Aviation (“DGCA”) of Indonesia. IAX is seeking the approval of DGCA of Indonesia for the standard ground handling services to be provided by the Company to IAX.

- Reduce head count

Both AirAsia and IAX are able to share resources, staff and expertise between the two companies. This will reduce the number of personnel to be hired by each company. For example, Licensed Aircraft Engineer of AirAsia will be able to work on IAX aircraft, and it can go vice versa if IAX applies to Department of Civil Aviation Malaysia for the same services.

- Lower operational costs

As both companies will have joint effort on all the common areas, operations can be done more efficiently which will then translate to lower operational costs to both companies. There will be no transaction with third party companies.

- In-House Capability

As everything will be done in-house, operations can be done a lot quicker and completed faster to the advantage of both parties. There will be minimal communication going back and forth. Furthermore, the companies will be able to develop and grow in-house talent for future expansion of both companies.

- Adherence to the local aviation authority

As part of the approval granted by DGCA of Indonesia to AirAsia, AirAsia must be able to demonstrate and prove to DGCA of Indonesia that all work to be carried out on IAX fleet must be formalized in the form of an agreement between the airline and the service provider.

- Standardization among Air Operator's Certificate ("AOC")

AirAsia has signed Standard Ground Handling Agreement with multiple AOC which includes Indonesia, Thailand and Philippines AirAsia. Signing it with IAX will enable IAX to benefit from similar support received by other AOC from AirAsia and it can go vice versa.

5. Financial Risks

The financial risks associated with the Agreement are expected to be very limited as the Company does not need to make any investment.

6. Directors' and major shareholders' interests

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

The Related Parties' direct and indirect shareholdings in AirAsia as at 1 July 2016 are as set out in the table below:-

	Direct		Indirect*	
	No. of Shares	%	No. of Shares	%
Tan Sri (Dr.) Tony Fernandes	1,600,000	0.06	516,485,082	18.56
Datuk Kamarudin	2,000,000	0.07	516,485,082	18.56

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.

7. 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 and the Agreement is entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders, due to the reasons stated in the rationale and considering the limited level of risk exposure mentioned above.

8. Statement by Board of Directors

Save for the Related Parties (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.

9. Financial effect of the Agreement

The Agreement 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 a material effect on the net assets per share, earnings per share and gearing of AirAsia for the financial year ending 31 December 2016.

10. Approval required

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

11. Highest percentage ratio

The highest percentage ratio applicable to this transaction is 0.003% 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 3.33%.

12. Total amount transacted for the preceding twelve 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 RM116,075,000.

13. Document available for inspection

The Agreement is available for inspection 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 1 July 2016.