

Bursa Announcement

Subject: AIRCRAFT WET LEASE AGREEMENT BETWEEN AIRASIA BERHAD AND PT INDONESIA AIRASIA EXTRA DUE TO OPERATIONAL REQUIREMENTS

Content:

1.0 Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), AirAsia Berhad (“**AAB**” or the “**Company**”) is pleased to announce that it has today entered into a Wet Lease Agreement (“**Agreement**”) with PT Indonesia AirAsia Extra (Registration No.: 09.03.1.51.89121) (“**IAAX**”) for the lease of one (1) A330 widebody aircraft bearing the registration number PK-XRC (MSN 654) (“**Aircraft**”) commencing from 19 April 2017 till 18 May 2017 (“**Lease Period**”) for the contract value of USD826,077 (“**Transaction**”). The Transaction is entered into due to operational requirements.

2.0 Details of IAAX

IAAX was incorporated on 12 March 2013 in Jakarta, Indonesia as a joint venture between AirAsia X Berhad (“**AAX**”) (49%) and PT Kirana Anugerah Perkasa (51%). IAAX is providing low-cost, long-haul air transportation services under the AAX brand with an operational base in Bali, Indonesia.

Both Tan Sri (Dr.) Anthony Francis Fernandes (“**Tan Sri Tony**”) and Datuk Kamarudin Bin Meranun (“**Datuk Kamarudin**”) are the Directors and major shareholders of AAX. Tan Sri Tony’s shareholding in AAX is 2.11% (Direct) and 28.05% (Indirect) and Datuk Kamarudin’s shareholding in AAX is 8.14% (Direct) and 28.05% (Indirect).

3.0 Salient Terms of the Agreement

- (a) The lease of the Aircraft from IAAX to AAB is in the form contained in the Agreement which shall include the flight crew, all maintenance of the Aircraft, and insurance throughout the Lease Period for USD826,077.
- (b) Payment shall be invoiced on a weekly basis for utilised block hours, to be paid no later than three (3) days after the receipt of invoice and late payment is subject to 4.5% interest per annum.
- (c) IAAX may terminate the Agreement due to a breach by providing an immediate notice to AAB and the Agreement may be extended based on mutual agreement between IAAX and AAB.
- (d) The Agreement shall be governed and construed in accordance with the laws of Singapore. All disputes arising out of or in connection with the Agreement shall be finally settled by binding arbitration in Singapore, under the Rules of Arbitration of the International Chamber of Commerce.

4.0 Transaction Rationale

The upsizing will allow AAB to capitalise the high demand and further strengthen its sales and market share on the routes which the Aircraft will serve. The Transaction will also allow AAB to urgently redeploy the Airbus A320 hours or capacity into domestic routes to capitalise the current high demand.

5.0 Basis of Consideration

The consideration of the Transaction which amounts to USD826,077 was arrived at an arm's length basis after taking into account the previous wet lease arrangements with IAAX, AAX and market quoted rates.

6.0 Financial Risks

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

7.0 Directors' and Major Shareholder Interest

Tan Sri Tony and Datuk Kamarudin ("**Related Parties**") are deemed related parties by virtue of the fact that they are the major shareholders and Directors of AAB and are also indirect shareholders of IAAX by virtue of their indirect interest in AAX.

The Related Parties are deemed interested in the Transaction and they have abstained from all Board and management deliberations in respect of the Transaction. The Related Parties' direct and indirect shareholdings in AAB as at 6 April 2017 are as set out in the table below:

Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri Tony	1,600,000	0.05%	1,075,485,082	32.18
Datuk Kamarudin	2,000,000	0.06%	1,075,485,082	32.18

Save as disclosed, no other directors and/or major shareholders of AAB and/or persons connected with the Related Parties have any interest, whether directly or indirectly, in the Transaction.

8.0 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.

9.0 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.

10.0 Financial Effect of the Transaction

The 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 AAB. It is also not expected to have material effect on the net assets per share, earnings per share and gearing of AAB for the financial year ending 31 December 2017.

11.0 Highest Percentage Ratio

The highest percentage ratio applicable to the Transaction is 0.08% and the highest aggregated percentage ratio for all 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 2.22%.

12.0 Approval Required

The Transaction does not breach the 5% percentage ratio prescribed under the MMLR of Bursa Securities. As such, AAB does not require the approval of its shareholders or any authorities to enter into the Transaction.

13.0 Total Amount Transacted For the Preceding Twelve (12) Months

The total amount transacted between AAB and the Related Parties and/or persons connected with them for the preceding twelve (12) months is RM 81 million.

14.0 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 **6 April 2017**.