

Bursa Announcement

Subject: Service Level Agreement between AirAsia Global Shared Services Sdn. Bhd. and PT Indonesia AirAsia Extra and Thai AirAsia X Co., Ltd. respectively

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1. Introduction

AirAsia Global Shared Services Sdn. Bhd. (“AGSS”), a wholly-owned subsidiary of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that it has today entered into a Service Level Agreement with PT Indonesia AirAsia Extra (“IAAX”) and Thai AirAsia X Co., Ltd. (“TAAX”) respectively (collectively “Agreements” or “Transactions”) in relation to provision of services by AGSS. The salient terms of the Agreements are set out in Section 3 below.

2. Details of IAAX and TAAX

IAAX was legally established having successfully obtained both Indonesian Investment Coordinating Board and Indonesian Ministry of Law and Human Rights approvals on 13 August 2013, to provide low cost, long-haul air transportation services under the AirAsia X brand in Indonesia.

TAAX was incorporated on 12 March 2013 as a limited joint venture company in Thailand under the Thai Civil and Commercial Code, to provide low-cost, long-haul air transportation services under the AirAsia X brand in Thailand.

3. Salient Terms of the Agreements

IAAX and TAAX have requested AGSS to provide the following Services:

- a) Finance & Accounting Support Operation Services;
- b) People Department Support Operation Services;
- c) Information & Technology (IT) Operation Support Services;
- d) Sourcing & Procurement Operation Support Services; and
- e) Innovation, Commercial & Technology (ICT) Services.

The above are the same services as provided by AGSS to the AirAsia Group (“Group”).

The salient terms are as follows:

- The provision of the Services is in accordance with the service level prescribed by the Key Performance Indices (“KPI”) attached to the Agreements.
- IAAX and TAAX agree to pay AGSS monthly cost including staff cost, benefits, other on-going operating expenses and overheads in proportion to the number of manpower assigned to IAAX and TAAX to deliver the services required by IAAX and TAAX within the stipulated payment due date.

- In the event of default by AGSS, IAAX and TAAX shall have the right to withhold any payment due to AGSS if there is any dispute to the fulfillment of the KPI or any part of the services or if the non-fulfillment results in IAAX and TAAX incurring penalties or losses.
- Dispute resolution between the parties shall be done by way of a resolution meeting. In the event AGSS and IAAX and TAAX are unable to resolve the dispute in an amicable manner, reference will be made to Kuala Lumpur Regional Centre for Arbitration.
- The remedies made available to AGSS and IAAX and TAAX in the event of default include instituting a legal action against the defaulting party to cure such breach and/or termination of the Agreement.
- Duration: 3 years.

4. 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.

5. Rationale for the Transactions

The support services are being provided by AGSS to the Group. In order to rationalise and standardise the services provided across the Group, it is pertinent that IAAX and TAAX also subscribe to the Agreements.

6. Directors' and Major Shareholders' interests

AirAsia X Berhad ("AAX") holds a 49% equity stake in each of IAAX and TAAX and 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 2.105% (Direct) and 31.588% (Indirect) and Datuk Kamarudin's shareholding in AAX is 8.141% (Direct) and 31.588% (Indirect).

Both Tan Sri Dr. Tony Fernandes and Datuk Kamarudin ("the Related Parties") are Directors and Major Shareholders of AirAsia.

The Related Parties' direct and indirect shareholdings in AirAsia as at 3 August 2015 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	528,542,082	18.99
Datuk Kamarudin	2,000,000	0.07	528,542,082	18.99

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 Transactions.

7. Audit Committee's Opinion

The Audit Committee, having considered all the relevant factors in respect of the Transactions is of the opinion that entering into the Transactions are in the best interest of the Company as the Transactions are 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.

8. Statement by the Board of Directors ("Board")

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

9. Financial effect of the Transactions

The Transactions 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 2015.

10. Approval required

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

11. Highest percentage ratio

The highest percentage ratio applicable to the Transaction with IAAX is 0.05% whilst the Transaction with TAAX is 0.06% 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 2.66%.

12. 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 RM16.08 million.

13. Document available for inspection

The Agreements are 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 three (3) months from the date of this announcement.

This announcement is dated 3 August 2015.