

Bursa Announcement

Subject: Instructor Services Agreement (“Agreement”) between AirAsia X Berhad (“AirAsia X” or “the Company”) and Asian Aviation Centre of Excellence Sdn. Bhd. (“AACE”)

Contents:

1. Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors (“the Board”) of AirAsia X wishes to announce that the Company and AACE has on 13 April 2016 entered into the Agreement to appoint AirAsia X as a service provider to provide instruction services through the Company’s qualified pilots, personnel and/or instructors for pilot ground and simulator training/checking services to AACE’s customers (“the Transaction”).

2. Details of AACE

AACE is a company incorporated under the laws of Malaysia and is in the business of Operating an Aviation Academy for the Provision of Pilot Training, Maintenance Training, Cabin Crew Training, Training for Management Services and Guest Services and is jointly owned by CAE International Holdings Limited (“CAE”) (Company No. 236730-1) and AirAsia Berhad (“AAB”) (Company No. 284669-W).

AACE is deemed to be a related party to AAX by virtue of the fact that AAB’s Directors and major shareholders (i.e. Datuk Kamarudin Bin Meranun and Tan Sri Dr. Anthony Francis Fernandes) are also the directors and major shareholders in AAX. Dato’ Fam Lee Ee is a Director in both AAB and AAX.

(Tan Sri Dr. Anthony Francis Fernandes, Datuk Kamarudin Bin Meranun and Dato’ Fam Lee Ee are collectively referred to as “Related Parties”).

3. Salient Terms of the Agreement

- 3.1 AirAsia X will be providing four (4) types of instructor for aircraft models Airbus A330 and Airbus A320 (as may be applicable) including:
- (a) Type Rating Examiner (TRE);
 - (b) Type Rating Instructor (TRI);
 - (c) Flight Simulator Instructor (FSI); and
 - (d) Crew Resource Management Instructor (CRMI) (classroom training/ground training).
- 3.2 The scope of services to be provided by AirAsia X under the Agreement will include:
- (a) classroom training/ground training;
 - (b) FFS Sessions and corresponding brief and debrief session;
 - (c) Compilation of pre and post-training reports for instructor; and
 - (d) Trainee feedbacks including appropriately completed attendance documentation for review.
- 3.3 The Agreement will be in full force for an initial period of five (5) years and will be renewed for an additional period of one (1) year upon agreement by AACE and AAX.
- 3.4 AACE will be obligated to provide to AAX instructor, free of charge with:
- AACE personnel identification documentation necessary for the instructor to carry out their duties;
 - A safe and secured work environment and to promptly advise AAX in case of any accident or serious incident involving of its instructor. AACE acknowledges that AAX’s instructor may, at their discretion, leave the training facility or equipment where or which they are providing the services if they believe that their health or life is not adequately guaranteed;
 - Reasonable office space and access to communication systems to allow the instructor to have access to support if needed from AAX’s principal office or from any other place of business of AAX; and
 - Access to the list and description of any pending discrepancy remarks affecting the equipment of training device for which AACE is responsible and which the instructor will be using to provide the services.
- 3.5 AAX undertakes to subscribe and maintain insurance usually and customarily carried in the industry for the services provided, including the worker’s compensation insurance or its equivalent as required by applicable law.

- 3.6 AAX shall be responsible for obtaining, maintaining and bearing the costs of all necessary approvals, certifications and consents from applicable governmental authority(ies) and non-governmental regulating body(ies) for the delivery of the services by the instructor in accordance with the terms and conditions of the Agreement.
- 3.7 AAX and AACE have the option to unilaterally terminate the Agreement by serving to the other party with two (2) months' notice.
- 3.8 The Agreement is governed by the laws of Republic of Singapore and the parties thereto agrees to submit to the jurisdiction of the competent courts of Singapore.

4. Financial Effect of the Agreement

The Agreement will not create material financial impact in the current financial year nor will it have any effect on the share capital and substantial shareholders' shareholdings of the Company. It is not expected to have material effect on the net assets per share, earnings per share and gearing of the Company for the financial year ending in 31 December 2016.

5. Basis of Consideration

The estimated contract value of USD 102,350 throughout the period of the Agreement was arrived pursuant to the prevailing market value of pilot instructor services for the Transaction.

6. Financial Risks

The financial risks associated with the Agreement are expected to be minimal as the risks are limited to the total consideration as stated in Section 5 above.

7. Rationale for the Transaction

To set out the terms and conditions including the contributions, responsibilities and liabilities of the parties as well as the mutual undertakings and co-operation between them for their mutual benefit.

8. Directors' and Major Shareholders' Interests

The Related Parties are deemed interested in the Agreement and they have abstained from all management and Board of Directors' deliberations in respect of the Agreement. The Related Parties' direct and indirect shareholdings in the Company as at 13 April 2016 are as set out in the table below:

	Direct		Indirect*	
	No. of Shares	%	No. of Shares	%
Tan Sri Dr. Anthony Francis Fernandes	87,303,728	2.105	1,310,331,376	31.588
Datuk Kamarudin bin Meranun	337,702,739	8.141	1,310,331,376	31.588

Note:

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

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

9. 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 as the Transaction is entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders.

10. Board of Directors

The Directors (other than the Directors who have abstained as stated in Section 8 above) 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.

11. Approval Required

The value of the Transaction would not breach the 5% percentage ratio as prescribed under the Bursa Malaysia's MMLR. As such the Company does not require the approval of its shareholders.

12. Highest percentage ratio and total amount transacted

The highest percentage ratio applicable to this Transaction is 0.06% and the highest aggregated percentage ratio for all the transactions between the Company and the Related Parties and/or person connected with them pursuant to Paragraph 10.12(1) of the MMLR is 4.69%.

The total amount transacted 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 Securities in the last twelve (12) months is USD 7,956,947.54.

13. Document available for inspection

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

This announcement is dated 13 April 2016.