

SUBJECT: AIRASIA X BERHAD (“AIRASIA X” OR “THE COMPANY”)
- JOINT VENTURE AGREEMENT OF PT. INDONESIA AIRASIA EXTRA, AN ASSOCIATED COMPANY OF AIRASIA X (“IAAX” or “JV COMPANY”)

Contents:

1. INTRODUCTION

The Board of Directors of AirAsia X (“the Board”) wishes to announce that following the approval of the Air Service Licence (“ASL”) by the Directorate General of Civil Aviation, Ministry Transportation of Republic of Indonesia (“DGCA”), the Company had on 23 January 2014 entered into a Joint Venture Agreement (“JVA” or “Transaction”) with PT Kirana Anugerah Perkasa (“PTKAP”), the shareholder of IAAX (individually referred to as “Party” and collectively referred to as “the Parties”) to govern the relationship between the Parties.

2. DETAILS OF IAAX

IAAX was incorporated on 22 May 2013 as a limited liability company under the laws of Republic of Indonesia with authorised capital of Rp680,484,141,540 divided into 69,686,036 shares of Rp9,765 each with PTKAP holding fifty one per centum (51%) and AirAsia X holding forty nine per centum (49%).

The Parties agree that the primary business activity of IAAX shall, amongst others but not limited to is the business of scheduled international air transport for passengers, cargo and post using aircraft based on certain routes and schedules with overseas cities destinations and such other activities as agreed between the Parties and permitted by the Applicable Laws and Requirements from time to time (“Business Activities”).

IAAX submitted its application with the DGCA for ASL in June 2013. On 23 January 2014, IAAX received the approval for its ASL. Following this, IAAX will proceed with its submission for the Air Operator’s Certificate (“AOC”).

IAAX intends to establish its hub in Bali, which will be AirAsia X's second international affiliate hub; a large tourism and travel market, with no current long haul low cost operator based there. PT. Indonesia AirAsia (“IAA”) has established a market leadership position and operates robust, profitable and growing short haul networks, that will provide feeder traffic to IAAX thus consolidating AirAsia X’s dominance in the North Asian (China, Japan, Korea) and Australian markets, by offering greater connectivity options to its customers from hubs in Kuala Lumpur, Bangkok and Bali. Partners with strong financial backing and industry knowledge and leverage from the wider AirAsia Group and brand, provides lower barriers to entry compared to potential new entrants.

3. INFORMATION ON THE PARTIES

AirAsia X was incorporated in Malaysia as private limited company under the Companies Act, 1965 under the name of Eden Hub Sdn. Bhd. Its name was subsequently changed to Fly Asian Xpress Sdn. Bhd. on 1 June 2006 and AirAsia X Sdn. Bhd. on 21 September 2007. The Company is principally engaged in the business of providing low-cost, long-haul air transportation services.

PTKAP is a company incorporated under the laws of the Republic of Indonesia pursuant to Deed of Incorporation No. 3 dated 10 October 2012 and obtained its approval from the Ministry of Law and Human Rights of Republic of Indonesia number AHU-56214.AH.01.01.Tahun 2012 dated 1 November 2012. The Company is principally engaged in

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the business of construction, trading, industry, printing, land transportation, agriculture, workshop, and services. The shareholders of PTKAP are also the Indonesian shareholders in P.T. Indonesia AirAsia.

4. RATIONALE FOR ENTERING INTO THE JVA

The JVA is for the purpose of setting out the terms governing the Parties’ relationship in IAAX and to regulate the businesses and affairs of IAAX.

5. SALIENT TERMS OF THE JVA

5.1 CAPITAL AND INVESTMENT OUTLAY

IAAX shall have a issued and paid-up capital of Rp292,950,000,000 divided into 30,000,000 shares of Rp9,765 each of which AirAsia X has subscribed for forty nine per centum (49%) shares, being its capital and investment outlay in IAAX up to year 2016, equivalent to a total capital contribution of up to USD14.7 million, from its internal generated funds.

PTKAP's capital and investment outlay in IAAX up to year 2016 shall be equivalent to USD15.3 million (51%).

5.2 COMPOSITION

5.2.1 BOARD OF DIRECTORS (“BOARD”) COMPOSITION

Unless otherwise mutually agreed by the Parties, the IAAX Board shall consist of maximum 7 (seven) Directors and the nomination of Directors shall be determined by mutual agreement between the Parties.

5.2.2 BOARD OF COMMISSIONERS (“BOC”) COMPOSITION

The BOC will consist of maximum 7 (seven) person or certain number as mutually agreed by the Parties.

The Parties agree that the President Commissioner of IAAX shall also be nominated by the Parties. In case there is only 1 (one) Commissioner, such Commissioner shall also be nominated by the Parties.

5.3 TERMINATION

5.3.1 TERMINATION

The JVA will be terminable by forthwith by the sending of notice in writing by any Party to the other Parties upon the occurrence of one or more of the following events:

- (i) by the mutual written consent of the Parties;
- (ii) by the occurrence of any event of default as stipulated in Clause 5.3.2 below (“**Events of Default**”);

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- (iii) by any subsequent enactment of law or regulation or any subsequent act of governmental authority in the Republic of Indonesia that: -
 - (aa) makes performance of the JVA impossible for that Party;
 - (bb) materially alter the rights and obligations of the Parties from those agreed and contemplated by the JVA;
- (iv) IAAX ceases to carry on the Business Activities or is prohibited by Applicable Laws and Requirements from carrying on the Business Activities.

5.3.2 EVENTS OF DEFAULT

- (a) breach of agreement

any Party fails to perform or observe any material undertaking, obligation or agreement expressed or implied, in the JVA, including any covenants, representations and warranties, and does not remedy the failure (if capable of remedy) within 30 Business Days after receipt by it of a notice from the other Party specifying the failure;
- (b) misrepresentation

any warranty, undertaking or representation in or given under the JVA is or becomes false, misleading or incorrect when made or deemed to be false, misleading or incorrect under the JVA;
- (c) receiver

a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of any Party;
- (d) insolvency

any Party becomes unable to pay its debts when they are due or becomes due and is unable to pay its debts within the meaning of the Applicable Laws and Requirements or any other legislation regarding insolvency of the jurisdiction in which it carries on business;
- (e) arrangements

any Party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;

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(f) winding up

an application or order is made for the winding up of any Party or a resolution is passed or any steps are taken to pass a resolution for the winding up of any Party otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the others;

(g) cessation of business

any Party ceases or threatens to cease carrying on a substantial portion of its business;

(h) event of default relating to IAAX

(i) a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of IAAX;

(ii) IAAX is or becomes unable to pay its debts when they are due or becomes due and is unable to pay its debts within the meaning of the Applicable Laws and Requirements in which it carries on business;

(iii) IAAX enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;

(iv) an application or order is made for the winding up of IAAX or a resolution is passed or any steps are taken to pass a resolution for the winding up of IAAX otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the others; or

(v) IAAX ceases or threatens to cease carrying on a substantial portion of its business;

(i) convicted of serious criminal offence

any Party is convicted of fraud or criminal breach of trust or other criminal offences in relation to IAAX and/or its Activities.

5.3.3 REMEDIES

Once a party commits an Event of Default (“**Defaulting Party**”), the other party (“**Non-Defaulting Party**”) may upon giving at least 30 (thirty) calendar days written notice to the Defaulting Party and without prejudice to any other claims it may have hereunder or at law terminate the JVA with respect to the Defaulting Party and thereafter, save for the surviving clauses as set out in the JVA, none of the Parties shall have any further obligations under the JVA.

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5.3.4 CONSEQUENCES OF TERMINATION

Upon termination of the JVA, the obligations under the JVA of the Non-Defaulting Party cease and any rights of the Non-Defaulting Party in respect of the Defaulting Party and other Parties accrued under the JVA remain, and, in addition to the right to damages and to specific performance and to any other right or remedy which it may have against the defaulting Party for breach of the JVA or their representations and warranties, the Defaulting Party must indemnify the Non-Defaulting Party for all costs, charges and expenses incurred by it in connection with the negotiation, preparation and termination or rescission of the JVA and all matters which it contemplates arising from the JVA.

In furtherance thereof, the Shareholders shall be obliged to wind-up IAAX as soon as possible including but not limited to take all necessary procedures to proceed with liquidation of IAAX.

6. EFFECTS OF THE JVA

The Transaction is not expected to have any material effect on the earnings, net assets, gearing, share capital and substantial shareholders’ shareholdings of AirAsia X.

7. BOARD OF DIRECTORS’ APPROVAL

Having regard to the rationale and the relevant factors, the Board has approved the Transaction and is of the opinion that entering into the JVA is in the best interest of the Company.

8. ESTIMATED TIME FRAME FOR COMPLETION

Capital contribution into IAAX will be made in tranches between 2014 to year 2016.

9. APPROVAL REQUIRED

The JVA does not require the approval of AirAsia X’s shareholders nor any Government authorities.

10. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest Percentage Ratio applicable pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 14.93%.

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11. INTEREST OF DIRECTORS’ AND/OR MAJOR SHAREHOLDERS’ AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of AirAsia X and/or persons connected with them have any direct or indirect interest in the Transaction.

12. RISKS

The risks related to the Transaction in connection with the JVA are typical to any commercial contract and these include breaches or non-performance of JVA or other obligations under the JVA.

13. DOCUMENT AVAILABLE FOR INSPECTION

The JVA is available for inspection at the registered office of AirAsia X 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 24 January 2014.