

Bursa Announcement

Subject : Agreement between AirAsia Berhad and Tune Money Sdn Bhd

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1. Introduction

AirAsia Berhad (“AirAsia” or “Company”) is pleased to announce that it has today entered into an Agreement with Tune Money Sdn Bhd (“TMSB”) in relation to the provision of insurance products under the AirAsia Insure brand to customers of the Company (the “Agreement”), the salient terms thereof which are set out in Section 3 below.

2. Details of TMSB

TMSB was incorporated on 30 December, 2005 and is principally engaged in business as providers of financial and other related services.

Both Dato’ Sri Dr Anthony Francis Fernandes and Dato’ Kamarudin Bin Meranun (collectively referred to as “Related Parties”), the Directors and major shareholders of the Company are also Directors of TMSB and have direct and indirect interest in TMSB of 53.21% and 50.36% respectively.

By virtue of the above, the Agreement is deemed to be a related party transaction.

3. Salient terms of the Agreement

Under the Agreement, TMSB agrees to provide to AirAsia the following services (“Services”) for a period of 1 year in consideration of a share of the revenue generated:

- (a) Undertake the management of the AirAsia Insure travel insurance business on behalf of the Company, including but not limited to:
 - Dealing with and managing the business relationship with all AirAsia’s insurance partners in various countries;
 - Handling claims, complaints and enquiries in relation to AirAsia Insure travel insurance;
 - Working with various insurance partners to capture business opportunities for AirAsia and its Affiliates in relation to the

provision of retail insurance products in new and existing markets.

- (b) Develop and manage the provision of telesales insurance products issued and underwritten by various insurers under the AirAsia Insure brand.

The projected value in relation to this transaction for the duration of the Agreement shall be RM1,000,000.

4. Rationale for entering into the Agreement

The rationale for entering into the Agreement is as follows:

- (a) To improve performance of the AirAsia Insure travel insurance business and reduce cost of dealing with multiple parties through the central management of the insurance gateway, customer interaction and claims by TMSB.
- (b) Additional ancillary income to the Company from Telesales insurance.
- (c) To monetise and leverage on the Company's large customer base for additional revenue without any additional investment outlay from AirAsia.
- (d) To enable the Company to concentrate on its core business while maximising business opportunities.

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 and receipt of the Services.

The Interested Parties' direct and indirect shareholdings in AirAsia as at 2 March 2011 are as set out in the table below:-

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Sri Dr Anthony Francis Fernandes	2,627,010	0.09	729,458,382*	26.29
Dato' Kamarudin bin Meranun	1,692,900	0.06	729,458,382*	26.29

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 as the Agreement entered is 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 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 and the close co-operation will reap mutual benefits which are expected to be beneficial to the business of the AirAsia Group.

9. Financial effect of the Agreement

This 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 material effect on the net assets per share, earnings per share and gearing of AirAsia for this financial year ending 31st December 2011.

10. Approval required

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

11. Highest percentage ratio

The highest percentage ratio applicable to this transaction is 0.05% 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 4.03%.

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 RM44,950,545.77.

13. Document available for inspection

The Agreement is available for inspection at the registered office of the Company at 25-5, Block H, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business days from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 2 March 2011.