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AIRASIA BERHAD

(Company No.: 284669-W)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW
SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A
REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF RRPT MANDATE")**

The Proposed Renewal of RRPT Mandate will be tabled as Special Business at AirAsia Berhad's Twentieth Annual General Meeting ("AGM") which will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Tuesday, 4 June 2013 at 10.00 a.m. The Notice of the Twentieth AGM together with the Form of Proxy are set out in the Annual Report of AirAsia Berhad for the year ended 31 December 2012.

You are entitled to attend and vote at our AGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not later than 48 hours before the date and time fixed for our AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 2 June 2013 at 10.00 a.m.
Date and time of AGM : Tuesday, 4 June 2013 at 10.00 a.m.

This Circular is dated 13 May 2013

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout and for the purposes of this Circular only:

AAX	: AirAsia X Berhad (Company No.: 734161-K)
Act	: Companies Act, 1965 and any statutory modifications or amendments thereto
Aero Ventures	: Aero Ventures Sdn Bhd (Company No.: 745388-D)
AGM	: Annual General Meeting
AirAsia or our Company	: AirAsia Berhad (Company No.: 284669-W)
AirAsia Group or our Group	: AirAsia and our subsidiaries
Board	: Our Board of Directors
Bursa Securities	: Bursa Malaysia Securities Berhad (Company No.: 635998-W)
Caterham F1	: 1Malaysia Racing Team Sdn Bhd (Company No.: 821111-V)
Circular	: This Circular dated 13 May 2013
Dato' Kamarudin	: Dato' Kamarudin bin Meranun
Director(s)	: Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, is a director or chief executive of our Company, our subsidiary or holding company
EGM	: Extraordinary General Meeting
EPS	: Earnings per Share
F1	: Formula 1
FYE	: Financial year(s) ended/ending 31 December, as the case may be
HOD	: Head of department
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities, including any amendments thereto from time to time.
LPD	: 16 April 2013, being the last practicable date prior to the printing of this Circular

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DEFINITIONS (Cont'd)

Major Shareholder(s)	: A person who within the preceding 6 months of the date on which the terms of the transaction were agreed upon, has or had an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation. For the purpose of this definition, "interests in shares" has the meaning given in Section 6A of the Act. For the purpose of the Proposed Renewal of RRPT Mandate, a major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of our Company or any other corporation which is our Company's subsidiary or holding company.
Market Day(s)	: A day on which the stock market of Bursa Securities is open for trading in securities
NA	: Net assets attributable to ordinary equity holders of our Company
TIMB	: Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad) (Company No.: 30686-K)
Person(s) Connected	: Shall have the same meaning given in Paragraph 1.01, Chapter 1 of the Listing Requirements
Proposed Renewal of RRPT Mandate	: Proposed renewal of existing shareholders' mandate and new shareholders' mandate for RRPTs as set out in Section 2.3 of this Circular
QPR	: Queens Park Rangers Football Club
RRPT(s)	: Recurrent related party transaction(s) of a revenue or trading nature, which are necessary for the day-to-day operations and are in the ordinary course of business of our Group, entered or to be entered into by our Company which involve the interest, direct or indirect, of a Related Party(ies)
Related Party(ies)	: Director(s), Major Shareholder(s) or Person(s) Connected with such Director(s) or Major Shareholder(s)
Share(s)	: Ordinary share(s) of RM0.10 each in our Company
Tan Sri Dr. Tony Fernandes	: Tan Sri Dr. Anthony Francis Fernandes
TIH	: Tune Ins Holdings Berhad (Company No.: 948454-K)
Transacting Party(ies)	: A party which our Company has entered or may enter into a RRPT under the Proposed Renewal of RRPT Mandate
Tune Air	: Tune Air Sdn Bhd (Company No.: 548526-V)
Tune Group	: Tune Group Sdn Bhd (Company No.: 798868-P)
Tune Money	: Tune Money Sdn Bhd (Company No.: 719679-A)

DEFINITIONS (Cont'd)

Tune QPR : Tune QPR Sdn Bhd (Company No.: 955642-EI)

Currencies

GBP : Great Britain Pounds

RM and sen : Ringgit Malaysia and sen respectively

All references to “our Company” in this Circular are to AirAsia Berhad and references to “our Group” are to our Company and subsidiaries collectively and references to “we”, “us”, “our”, and “ourselves” are to our Company, and save where the context otherwise requires, shall include our subsidiaries.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice-versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

All references to “you” in this Circular are to the shareholders of our Company who are entitled to attend and vote at our forthcoming AGM and whose names are in our Record of Depositors at 5.00 p.m. on 28 May 2013.

For illustration purposes only, the exchange rate of GBP 1 = RM4.96 has been used throughout this Circular, unless otherwise stated.

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AIRASIA BERHAD
(Company No. 284669-W)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

13 May 2013

Board of Directors:

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar (*Non Independent Non-Executive Chairman*)
Tan Sri Dr. Anthony Francis Fernandes (*Non-Independent Non-Executive Director*)
Dato' Kamarudin bin Meranun (*Non-Independent Non-Executive Director*)
Conor Mc Carthy (*Non-Independent Non-Executive Director*)
Dato' Lcong Sonny @ Leong Khee Seong (*Independent Non-Executive Director*)
Dato' Fam Lee Ee (*Independent Non-Executive Director*)
Dato' Mohamed Khadar bin Merican (*Independent Non-Executive Director*)
Datuk Mohd Omar bin Mustapha (*Independent Non-Executive Director*)
Aireen Omar (*Chief Executive Officer and Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At the EGM of the Company held on 21 June 2012, the shareholders, had inter-alia, granted the mandate for our Group to enter into RRPTs as stipulated in the Circular to Shareholders dated 7 June 2012.

The authority conferred by the shareholders' mandate, in accordance with the Listing Requirements shall lapse at the conclusion of the forthcoming AGM unless authority for its renewal is obtained from the shareholders of the Company at the forthcoming AGM which will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Tuesday, 4 June 2013 at 10.00 a.m.

Your Board had on 25 April 2013 announced our intention to seek your approval at our forthcoming AGM for the Proposed Renewal of RRPT Mandate.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED RENEWAL OF RRPT MANDATE AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING THERETO TO BE TABLED AT OUR FORTHCOMING AGM. THE NOTICE OF THE AGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THE ANNUAL REPORT OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012.

YOU ARE ADVISED TO READ THIS CIRCULAR TOGETHER WITH THE APPENDIX CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF RRPT MANDATE.

2. PROPOSED RENEWAL OF RRPT MANDATE

2.1 Details of the Proposed Renewal of RRPT Mandate

As provided in Paragraph 10.09 (2) of the Listing Requirements, our Company proposes to seek a general mandate from you for the RRPTs subject to, *inter-alia*, the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party(ies) than those generally available to the public;
- (b) your mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to your mandate during the financial year where the aggregated value is equal to or more than the following threshold:
 - (i) the consideration, value of the assets, capital outlay or costs of the transactions is equal to or exceeds RM1 million; or
 - (ii) the percentage ratio of such transaction is equal to or exceeds 1%;whichever is the higher;
- (c) this Circular includes the information as may be prescribed by Bursa Securities. The draft Circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain your mandate, the interested Related Party(ies) must not vote on the resolution to approve the transactions. An interested Director or interested Major Shareholder must ensure that Person(s) Connected to them abstain from voting on the resolution(s) approving the transactions; and
- (e) our Company immediately announces to Bursa Securities when the actual value of a RRPT entered into by our Company, exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

Where your mandate has been procured pursuant to the above, the provisions of Paragraph 10.08 of the Listing Requirements in relation to related party transactions will not apply.

2.2 Principal activities of our Group

Our Company is principally providing air transportation services and an investment holding company while the principal activities of our subsidiaries includes the provision of insurance services, the provision of financing and leasing arrangements and others.

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2.3 Details of RRPTs and the Related Parties

The details of the RRPTs entered or to be entered into by our Company with the Transacting Parties under the Proposed Renewal of RRPT Mandate are as follows:

Existing RRPTs

	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Estimated value from 4 June 2013 to the next AGM (RM)
Revenue/income				
1.	AAX	Provision of the following range of services by our Company to AAX: (a) Commercial <ul style="list-style-type: none"> - Sales and distribution - Sales support - Provision of sales offices, airport sales counter and use of our Company's authorised travel agents - Payment channel and E-Channel - Branding and Creative <ul style="list-style-type: none"> • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities - Manage, plan, build and develop airasia.com website (b) Innovation, Commercial and Technology <ul style="list-style-type: none"> - Involves all services related to information technology (c) Treasury <ul style="list-style-type: none"> - Fuel procurement - Fuel hedging (d) Audit <ul style="list-style-type: none"> - Internal audit - IT Audit (e) Ad-Hoc engineering services (f) Quality & Assurance – Credit card fraud control unit	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes ⁽¹⁾ Dato' Kamarudin ⁽²⁾ Interested Major Shareholder Tune Air ⁽³⁾	6,421,029
2.	AAX	Provision of the rights by our Company to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes ⁽¹⁾ Dato' Kamarudin ⁽²⁾ Interested Major Shareholder Tune Air ⁽³⁾	8,528,014

	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Estimated value from 4 June 2013 to the next AGM (RM)
3.	TIH	Provision of the right to access our Company's customer database by our Company to TIH to conduct telesales marketing on TIH's and/or third party insurance products and the provision of management services by TIH to our Company's travel insurance business	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes ⁽¹⁾ Dato' Kamarudin ⁽²⁾ Interested Major Shareholder Tune Air ⁽³⁾	961,320
4.	TIMB	Provision of travel insurance to our customers for journeys originated from Malaysia resulting in underwriting commission received by TIH through TIMB	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes ⁽¹⁾ Dato' Kamarudin ⁽²⁾ Interested Major Shareholder Tune Air ⁽³⁾	14,763,325
Expense				
5	QPR Holdings Limited	Provision of full shirt sponsorship by our Company to QPR in the Barclays Premier League	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes ⁽¹⁾ Dato' Kamarudin ⁽²⁾	GBP700,000 RM3,472,000

Additional RRPT

	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Estimated value from 4 June 2013 to the next AGM (RM)
Expense				
1	Think Big Digital Sdn Bhd	Purchase of loyalty points from Think Big Digital Sdn Bhd, who operates and manages a loyalty program branded as the BIG Loyalty Program	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes ⁽¹⁾ Dato' Kamarudin ⁽²⁾	1,600,000

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Notes:

- (1) *Tan Sri Dr. Tony Fernandes is an interested Director and interested Major Shareholder by virtue of his directorships, direct and indirect shareholdings in our Company, and the Transacting Parties. Please refer to Section 7 of this Circular for details of his shareholdings in our Company.*

As at LPD, the directorship and direct and indirect shareholdings of Tan Sri Dr. Tony Fernandes in the Transacting Parties are as follows:

	Direct		Indirect		Directorship
	No. of Shares	%	No. of Shares	%	
AAX	5,283,586	1.98	145,545,719	54.59*	✓
QPR Holdings Limited	-	-	2,046,153,209	66.02 [#]	✓
TIH	100,000	0.01	608,385,080	72.04 [^]	✓
TIMB	-	-	83,273,097	83.26**	-
Think Big Digital Sdn Bhd	-	-	2	100.00 [@]	✓

* Deemed interested via his interest in Aero Ventures, being the Major Shareholder of AAX and via his interest in AirAsia, being a shareholder of AAX pursuant to Section 6A of the Act.

Deemed interested via his interest in Tune QPR, being the Major Shareholder of QPR Holdings Limited pursuant to Section 6A of the Act.

^ Deemed interested via his interest in Tune Money and AirAsia, being the Major Shareholders of TIH pursuant to Section 6A of the Act.

** Deemed interested via his interest in TIH, being the Major Shareholder of TIMB pursuant to Section 6A of the Act.

@ Deemed interested via his interest in AirAsia, being the Major Shareholder of Think Big Digital Sdn Bhd and via his interest in Tune Group, being the Major Shareholder of Tune Capital Sdn Bhd, the holding company of Tune Money International Sdn Bhd, being the Major Shareholder of Think Big Digital Sdn Bhd, pursuant to Section 6A of the Act.

- (2) *Dato' Kamarudin is an interested Director and interested Major Shareholder by virtue of his directorships, direct and indirect shareholdings in our Company, and the Transacting Parties. Please refer to Section 7 of this Circular for details of his shareholdings in our Company.*

As at LPD, the directorship and direct and indirect shareholdings of Dato' Kamarudin in the Transacting Parties are as follows:

	Direct		Indirect		Directorship
	No. of Shares	%	No. of Shares	%	
AAX	9,953,454	3.73	145,545,719	54.59*	✓
QPR Holdings Limited	-	-	2,046,153,209	66.02 [#]	✓
TIH	81,900	0.01	608,385,080	72.04 [^]	✓
TIMB	-	-	83,273,097	83.26**	-
Think Big Digital Sdn Bhd	-	-	2	100.00 [@]	-

* Deemed interested via his interest in Aero Ventures, being the Major Shareholder of AAX and via his interest in AirAsia, being a shareholder of AAX pursuant to Section 6A of the Act.

Deemed interested via his interest in Tune QPR, being the Major Shareholder of QPR Holdings Limited pursuant to Section 6A of the Act.

^ Deemed interested via his interest in Tune Money and AirAsia, being the Major Shareholders of TIH pursuant to Section 6A of the Act.

** Deemed interested via his interest in TIH, being the Major Shareholder of TIMB pursuant to Section 6A of the Act.

@ Deemed interested via his interest in AirAsia, being the Major Shareholder of Think Big Digital Sdn Bhd and via his interest in Tune Group, being the Major Shareholder of Tune Capital Sdn Bhd, the holding company of Tune Money International Sdn Bhd, being the Major Shareholder of Think Big Digital Sdn Bhd, pursuant to Section 6A of the Act.

- (3) *Tune Air is an interested Major Shareholder by virtue of its direct shareholdings in our Company, and indirect shareholdings in the Transacting Parties. Please refer to Section 7 of this Circular for details of its shareholdings in our Company.*

As at LPD, the indirect shareholdings of Tune Air in the Transacting Parties are as follows:

	<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	%	No. of Shares	%
AAX ⁻	-	-	6,252,919	2.35*
TIH	-	-	121,677,000	16.19 [^]
TIMB	-	-	83,273,097	83.26**

* Deemed interested via its interest in AirAsia, being a shareholder of AAX pursuant to Section 6A of the Act.

[^] Deemed interested via its interest in AirAsia, being the Major Shareholder of TIH pursuant to Section 6A of the Act.

** Deemed interested via its interest in TIH, being the Major Shareholder of TIMB pursuant to Section 6A of the Act.

⁻ Tune Air also holds 42,666,667 Redeemable Convertible Preference Shares ("RCPS") of RM1.00 each in AAX via our Company's entire holding of these RCPS.

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2.4 Existing mandate of RRPTs obtained at the last EGM

The details of the estimated value and actual value of the RRPTs transacted from the date of which the existing shareholders' mandate was obtained at the last EGM held on 21 June 2012 up to the LPD are set out in table below:

	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Estimated value of transactions as disclosed in the Circular to Shareholders dated 7 June 2012 (RM)	Actual value (RM)
Revenue/income					
1.	AAX	Provision of the following range of services by our Company to AAX: (a) AirAsia travel insurance (b) Commercial <ul style="list-style-type: none"> - Sales and distribution - Sales support - Provision of sales offices, airport sales counter and use of our Company's authorised travel agents - Payment channel and E-Channel - Branding and Creative <ul style="list-style-type: none"> • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities - Manage, plan, build and develop airasia.com website (c) Innovation, Commercial and Technology <ul style="list-style-type: none"> - Involves all services related to information technology (d) Treasury <ul style="list-style-type: none"> - Fuel procurement - Fuel hedging (e) Audit and consulting services <ul style="list-style-type: none"> - Credit card fraud control unit - Internal audit - Corporate integrity (f) Security services (g) Ad-hoc engineering services (h) Flight operations – pilot support	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Dato' Kamarudin Interested Major Shareholder Tune Air	9,129,618	6,035,000

	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Estimated value of transactions as disclosed in the Circular to Shareholders dated 7 June 2012 (RM)	Actual value (RM)
2.	AAX	Provision of the rights by our Company to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Dato' Kamarudin Interested Major Shareholder Tune Air	10,053,090	8,524,606
3.	TIH	Provision of the right to access our Company's customer database by our Company to TIH to conduct telesales marketing on TIH's and/or third party insurance products and the provision of management services by TIH to our Company's travel insurance business	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Dato' Kamarudin	961,320	302,838
4.	TIMB	Provision of travel insurance to our customers for journeys originated from Malaysia resulting in underwriting commission received by TIH through TIMB	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Dato' Kamarudin	14,763,325	11,138,510
5.	Think Big Digital Sdn Bhd	Selling of loyalty points to Think Big Digital Sdn Bhd, who operates and manages a loyalty program branded as the BIG Loyalty Program	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Dato' Kamarudin	15,795,856	Nil
Expense					
6.	Caterham F1	Provision of sponsorship by our Company to Caterham F1 for the duration of the 2012 F1 racing season and the Caterham F1 Driver Development Program	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Dato' Kamarudin	GBP1,200,000/ RM5,952,000	GBP1,200,000
7.	QPR Holdings Limited	Provision of full shirt sponsorship by our Company to QPR in the Barclays Premier League	Interested Directors and Major Shareholders Tan Sri Dr. Tony Fernandes Dato' Kamarudin	GBP3,000,000/ RM14,880,000	GBP2,500,000

There is no amount due and owing to our Group by its Related Parties pursuant to the RRPTs which has exceeded the credit term. As such, the disclosures as required under Paragraphs 16A and 16B in Annexure PN12-A of the Listing Requirements are not applicable.

2.5 Basis of estimates

The estimated transaction values for the RRPTs referred to in Section 2.3 of this Circular are based on (i) estimated prevailing prices, which are reasonably market-competitive; and (ii) the sums incurred or received over the past years for similar transactions. The estimated transaction values were also projected based on the assumption that (i) our Group's usual levels of transaction; (ii) our Group's projected business volume; and (iii) our current level of operations would be maintained, from the date of our forthcoming AGM to our next AGM.

2.6 Review procedures for RRPTs

To promote good corporate governance in the conduct of our Company's business, our Group has established a framework for evaluating potential conflicts of interest and disclosure obligations arising out of transactions, arrangements and relationships between our Company and its Related Parties. The procedures in this framework ensure the RRPTs are on arm's length basis and in the best interest of our Group. We set forth below the review procedures of our Company's RRPTs.

- (i) Each Director is required to make full disclosure at once of any interest he or she may have in any business enterprise with an existing or proposed business relationship or transaction with our Company and/or our subsidiaries.
- (ii) There are no specific thresholds for approval of RRPTs within our Group. All potential RRPTs have to be disclosed by management, being the relevant HOD in which the transaction falls under ("Management"). Management will then propose the RRPT by providing a RRPT paper and other relevant documents, including a draft of the announcement to be made to Bursa Securities to the Legal and Compliance Department, at least 2 weeks prior to the Audit Committee meeting to ensure that regulatory requirements have been met. The Internal Audit Department shall ensure that internal processes in respect of the RRPT are followed. Upon obtaining clearance from the Legal and Compliance Department as well as the Internal Audit Department, Management will sign off on the RRPT papers and the matter shall be tabled to the Audit Committee for consideration and if deemed appropriate, recommended to your Board for approval.
- (iii) With the information provided in the RRPT papers, your Board ascertains that at least 2 other contemporaneous transactions with unrelated third parties for similar products or services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to or by the related parties are fair and reasonable and comparable to those offered to or by other unrelated third parties for the same or substantially similar type of products or services and/or quantities. In the event that a quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms and not more favourable to the Related Party than those generally available to the public and are not to the detriment of our Company or our Group or to our minority shareholders.
- (iv) The interested Director in the RRPT must abstain from your Board's deliberation and voting on the relevant resolution(s) in respect of the RRPT. The interested Director must inform your Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed RRPT that he is aware or should reasonably be aware of, which is not in the best interest of our Company or our subsidiary, as the case may be.
- (v) The interested Major Shareholder or Person Connected to them must not vote at the AGM on the resolution approving the RRPT. It is the duty of the interested Director and interested Major Shareholder to ensure that Persons Connected to them abstain from voting on the resolution approving the RRPT.

2.7 Audit Committee's Statement

The Audit Committee has seen and reviewed the procedures set out in Section 2.6 of this Circular and is of the view that the procedures are:

- (i) sufficient to ensure that the RRPTs are not more favourable to the Transacting Parties than those generally available to the public and are not to the detriment of our Company's minority shareholders; and
- (ii) adequate to monitor, track and identify RRPTs in a timely and orderly manner, and that such procedures are reviewed on an annual basis or whenever the need arises.

2.8 Disclosure of RRPTs

If the Proposed Renewal of RRPT Mandate is approved, disclosure will be made in our Annual Report and in the Annual Reports for the subsequent years that the Proposed Renewal of RRPT Mandate continues to be in force in accordance with the Listing Requirements which requires, in addition to what is set out in Section 2.1(b) of this Circular, a breakdown of the aggregated value of the RRPTs made during the financial year, amongst others, based on the following information:

- (a) the type of RRPT made; and
- (b) the names of the Related Parties involved in each type of RRPT made and their relationship with our Company.

If the actual value of an RRPT exceeds the estimated value of the RRPT disclosed in Section 2.3 of this Circular by 10% or more, our Company will make an immediate announcement to Bursa Securities which will include information as may be prescribed by Bursa Securities.

3. RATIONALE AND BENEFITS OF THE PROPOSED RENEWAL OF RRPT MANDATE

The RRPTs that have been entered into and will be entered into by our Group are necessary for our business and are intended to meet business needs at the best possible terms. Our Group should be able to have access to all available markets, products and services provided by all vendors including Related Parties and to provide products and services to all persons including our Related Parties. This will enhance the ability of our Group to explore beneficial business opportunities as well as to promote cross-selling which will be beneficial to our Group.

The Proposed Renewal of RRPT Mandate will eliminate the need to announce and convene separate general meetings on each occasion to seek your prior approval for the entry by our Group into such transactions. This will reduce the associated expenses, improve administrative efficiency and allow manpower, resource and time to be better channelled towards achieving other corporate objectives.

The RRPT is likely to continue in the future on a frequent and recurrent basis from time to time. In addition, these transactions may be constrained by time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek your prior approval on a case-by-case basis before entering into such transactions.

The RRPT are transactions in the ordinary course of our business, made on commercial terms on an arm's length basis, on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of our minority shareholders.

The benefits of transacting with the Related Parties are as follows:

- (a) Our Group has the capacity to provide the range of services to AAX as detailed in Section 2.3 of this Circular. The provision of these services is merely extending our Group's existing operations to AAX. This would also provide an additional source of income, which will contribute to our Group's revenue and profitability.

- (b) While our Group values the contribution of travel insurance revenue as an important source of ancillary income, the insurance business is not our core business and as such it would be more efficient and cost effective if TIH undertakes the sourcing of insurance for us. This will enable our Group to monetise and leverage on our Group's large customer base for additional revenue without any additional investment outlay whilst improving performance of our travel insurance business and reduce cost of dealing with multiple parties through the central management by TIH. TIH has proven to be reliable in its delivery of services as well as fulfilling the quality expectations of our Group, hence, any risk of interruption to our Group's day-to-day operations would be minimised. TIH is also familiar with our Group's operations and therefore, is able to meet the business needs and requirements of our Group. Further, this would enable our Group to concentrate on our core business while maximising business opportunities.
- (c) Through the sponsorship agreement with QPR, our Group is able to gain wider access and attract different segments of customers, with football being the top global spectator sport. Our Group believes that the association with these brands in the sporting arenas of football will further elevate the AirAsia brand. The AirAsia association would also give added public relations exposure to our Group, generating significant interest, creating brand loyalty and enabling customers to communicate and engage with our Group through various media platforms.

Our Group has had long-standing business relationships with the Related Parties and the close co-operation has reaped mutual benefits which are expected to continue to be beneficial to the business of our Group.

4. **VALIDITY PERIOD FOR THE PROPOSED RENEWAL OF RRPT MANDATE**

The Proposed Renewal of RRPT Mandate, if approved at our forthcoming AGM, shall take effect from the date of the passing of the ordinary resolution proposed at our AGM to approve the Proposed Renewal of RRPT Mandate and is subject to annual renewal. In this respect the Proposed Renewal of RRPT Mandate shall only continue to be in force until:

- (a) the conclusion of our next AGM following our forthcoming AGM at which such ordinary resolution is passed to effect the Proposed Renewal of RRPT Mandate, at which time it will lapse, unless renewed by a resolution passed at a meeting or the authority is renewed;
- (b) the expiration of the period within which our next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) the Proposed Renewal of RRPT Mandate is revoked or varied by resolution passed by you in a general meeting;

whichever is the earliest.

5. **EFFECTS OF THE PROPOSED RENEWAL OF RRPT MANDATE**

The Proposed Renewal of RRPT Mandate will not have any effect on the issued and paid-up share capital of our Company and our substantial shareholders' shareholdings and is not expected to have a material effect on the NA per Share, gearing, and EPS of our Group.

However, the Proposed Renewal of RRPT Mandate is in relation to the transactions which are of revenue or trading nature which forms part of our Group's day-to-day operations. Thus, those transactions will contribute to our Group's financial performance.

6. **APPROVALS REQUIRED**

The Proposed Renewal of RRPT Mandate is subject to and conditional upon obtaining your approval at our forthcoming AGM.

7. **INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Save as disclosed below, none of the Directors, Major Shareholders, and/or Persons Connected to them, have any interests, direct or indirect in the Proposed Renewal of RRPT Mandate:

- (i) Tan Sri Dr. Tony Fernandes, by virtue of his directorship in our Company and a Major Shareholder of our Company and by virtue of his directorship and shareholdings in the Transacting Parties as detailed in the notes of Section 2.3 of this Circular;
- (ii) Dato' Kamarudin, by virtue of his directorship in our Company and a Major Shareholder of our Company and by virtue of his directorship and shareholdings in the Transacting Parties as listed in the notes of Section 2.3 of this Circular; and
- (iii) Tune Air, by virtue of it being a Major Shareholder of our Company and by virtue of its shareholdings in the Transacting Parties as listed in the notes of Section 2.3 of this Circular.

The shareholdings of the interested Directors and interested Major Shareholders in our Company as at LPD are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Interested Directors</u>				
Tan Sri Dr. Tony Fernandes	3,227,010	0.12	640,608,382*	23.04
Dato' Kamarudin	2,292,900	0.08	640,608,382*	23.04
<u>Interested Major Shareholder</u>				
Tune Air	640,608,382	23.04	-	-

Note:

- * Deemed interested via their interests in Tune Air, being the Major Shareholder of our Company pursuant to Section 6A of the Act.

Accordingly, the interested Directors have abstained and will continue to abstain from deliberations and voting on the Proposed Renewal of RRPT Mandate at all your Board's meetings. Further, the interested Directors and interested Major Shareholders will abstain from voting in respect of their direct and indirect interests, if any, on the resolution pertaining to the Proposed Renewal of RRPT Mandate at our forthcoming AGM.

In addition, the interested Directors and interested Major Shareholders have undertaken to ensure that Persons Connected to them shall abstain from voting, deliberating or approving the resolution pertaining to the Proposed Renewal of RRPT Mandate at our forthcoming AGM in respect of their direct and indirect interests in our Company.

8. **DIRECTORS' RECOMMENDATION**

Your Board (save for the interested Directors), having considered all aspects of the Proposed Renewal of RRPT Mandate, is of the opinion that the Proposed Renewal of RRPT Mandate is in our Company's best and long term interests.

Accordingly, your Board (save for the interested Directors), recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of RRPT Mandate to be tabled at our forthcoming AGM.

9. **AGM**

The Twentieth AGM, the extract of the notice of which is set out in this Circular, will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia, on Tuesday, 4 June 2013 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution to give effect to the Proposed Renewal of RRPT Mandate.

You are entitled to attend and vote at our forthcoming AGM or appoint a proxy to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than 48 hours before the time fixed for our AGM or any adjournment thereof. The last date and time for you to lodge the Form of Proxy is on Sunday, 2 June 2013 at 10.00 a.m. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our AGM should you subsequently wish to do so.

10. **FURTHER INFORMATION**

You are advised to refer to the attached appendix for further information.

Yours faithfully,
For and on behalf of the Board of Directors
AIRASIA BERHAD

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Non-Independent Non-Executive Chairman

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by your Board and they individually and collectively accept full responsibility for the accuracy of the information contained herein and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there is no statement or information in this Circular which is false or misleading or any fact the omission of which would make any statement in this Circular false or misleading.

2. MATERIAL CONTRACTS

There are no contracts which are material (not being contracts entered into in the ordinary course of business) that have been entered into by our Company and/or our subsidiaries during the 2 years immediately preceding the date of this Circular.

3. MATERIAL LITIGATION

Neither we nor any of our subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and your Board do not have any knowledge of any material litigation, claim or arbitration pending or threatened against our Company and/or our subsidiaries, any of which might reasonably be expected to have a material or adverse effect on the financial position or business of our Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at our registered office 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 on Mondays to Fridays (excluding public holidays) from the date of this Circular up to the date of the AGM:

- (i) our Memorandum and Articles of Association; and
- (ii) our audited consolidated financial statements for the past two FYE 2012 and the latest unaudited financial statements for the 3-month financial period ended 31 December 2012.



AIRASIA BERHAD
(Company no.: 284669-W)
(Incorporated in Malaysia under the Companies Act, 1965)

**EXTRACT RESOLUTION TO BE TABLED AS SPECIAL BUSINESS AT THE FORTHCOMING
TWENTIETH ANNUAL GENERAL MEETING**

ORDINARY RESOLUTION 10

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW
SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A
REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF RRPT MANDATE")**

"THAT approval be and is hereby given for the renewal of the existing shareholders' mandate and new shareholders' mandate for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("**Recurrent Related Party Transactions**") as set out in Section 2.3 of the Circular to Shareholders dated 13 May 2013 ("**the Circular**"), subject further to the following:

- (i) the Recurrent Related Party Transactions are entered into in the ordinary course of business which are necessary for the day-to-day operations and are on terms which are not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arm's length basis and on normal commercial terms which are not to the detriment of the minority shareholders of the Company;
- (ii) the disclosure is made in the annual report of the breakdown of the aggregated value of the Recurrent Related Party Transactions conducted pursuant to the shareholders' mandate during the financial year, amongst others, based on the following information:
 - (a) the type of Recurrent Related Party Transactions made; and
 - (b) the names of the related parties involved in each type of the Recurrent Related Party Transaction made and their relationship with the Company;
- (iii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:
 - (a) the conclusion of the next AGM of the Company following the AGM at which this shareholders' mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, such authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest.

THAT the Directors of the Company and/or any one of them be and are hereby authorised to complete and do all such acts and things as they consider necessary or expedient in the best interest of the Company, including executing all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as the Directors of the Company in their discretion deem fit and expedient to give effect to the Recurrent Related Party Transactions contemplated and/or authorised by this Ordinary Resolution.

AND THAT as the estimates given for the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors of the Company and/or any one of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.5 of the Circular.”

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