BURSA ANNOUNCEMENT
AirAsia Joint Venture in Vietnam

AirAsia Berhad ("**AirAsia**" or "**the Company**") is pleased to announce that the Company, through its wholly-owned subsidiary AirAsia Investment Limited ("**AAIL**"), executed a Shareholders Agreement ("**SHA**") and a Share Subscription Agreement ("**SSA**") with Gumin Company Limited ("**Gumin**"), Mr. Tran Trong Kien ("**Mr. Tran**") and Hai Au Aviation Joint Stock Company ("**HAA**" or "**JV Co**") on 30 March 2017.

The SHA and SSA are formalised for the purpose of forging a joint venture cooperation between AirAsia, Gumin, Mr. Tran and HAA to establish a low-cost carrier ("**LCC**") in Vietnam ("**the Joint Venture**").

HAA, a company currently operating a general aviation business in Vietnam, will form the vehicle for the Joint Venture. Currently, HAA has a paid-up charter capital of VND100,000,000,000 (MYR19.4 million) divided into 10,000,000 ordinary shares of VND10,000 (MYR1.94) each and undertakes to increase its charter capital to VND1,000,000,000,000 (MYR194.0 million) divided into 100,000,000 ordinary shares of VND10,000 (MYR1.94) each, for the purpose of this Joint Venture operation.

AirAsia is pleased to announce that it has, on 30 March 2017, through AAIL signed the:

a) SSA to subscribe for 30,000,000 ordinary shares of VND10,000 (MYR1.94) each at par, representing 30% percent of the paid-up capital in the JV Co, following the increase in the charter capital as mentioned above; and

b) SHA between shareholders to govern the relationship between the parties of the JV Co. The shareholding ratio of the parties are as follows:

   AAIL : 30% (30,000,000 shares)
   Gumin : 69.9% (69,999,999 shares)
   Mr. Tran Trong Kien: 0.00000001% (1 share)

AAIL and JV Co also signed on 30 March 2017 a New Shareholder Loan Agreement ("**NSLA**") where AAIL, will be providing a loan of USD 2 million (MYR8.84 million). Separately, Gumin will also be providing a loan amounting to USD 4 million (MYR17.68 million) to the JV Co.

Other transaction document to be entered in with the JV Co is the Brand Licensing Agreement to license the use of the AirAsia brand to the JV Co for a fee as agreed between AirAsia and the JV Co subject to local laws.

1. Rationale and prospects of the Joint Venture

The rationale for the Joint Venture is to be an airline in Vietnam which offers an affordable but high-quality airline service to Vietnamese and foreign tourists by leveraging the best-in-class LCC business model which is expected to give the Vietnamese population a greater choice as well as spur overall economic growth.

Improving connectivity in Vietnam would further support an uptick in GDP, providing a boost in multiple industries namely tourism, export related industries, logistics, airport retailers and airline support industries. An increase in connectivity will also stimulate demand for air travel amongst the population, opening doors to studies abroad, work related travel and sprouting of new small and medium industries.

Vietnam's geographical location provides the foundation and support for the Joint Venture's plans to operate domestic and international underserved routes focusing primarily in providing connectivity domestically into key cities in Vietnam as well as internationally to ASEAN, China, Korea and Japan from 3 major hubs namely Ho Chi Minh, Hanoi and Da Nang.

Vietnam is the 5th largest aviation market in South East Asia after Indonesia, Thailand, Malaysia and Singapore. It was the fastest growing aviation market both in the world and in South East Asia in 2015 and 2016. In terms of passenger carriage (domestic and international), Vietnam's air travel passenger carriage in 2016 was 52 million, with its growth dwarfing its ASEAN peers', charting approximately 28% year-on-year growth in 2016 vis-à-vis its ASEAN peer's average growth of approximately 10%. Vietnam's domestic and international market has also doubled in size since 2013 and 2011 respectively. Domestic passenger growth in 2016 was approximately 25% while international growth was over 30%.

Vietnam's GDP has grown tremendously over the years as well, charting a 6.3% increase year-on-year in 2016 and is forecasted to continue its uptrend and achieve a GDP growth of 6.7% in 2017.

Given the factors above and a sizeable population of 95 million, there is great potential for growth in Vietnam. This clearly presents an opportunity for another low cast carrier to enter into the market. In addition to that, the middle class population is expected to represent 23% of the total population by 2020, which will further fuel the growth of air travel in Vietnam.

2. Feasibility Study

AirAsia has conducted a feasibility study prior to entering into the Joint Venture and, based on the study, it is forecasted that the Joint Venture will be operationally feasible and commercially viable and is expected to contribute positively to AirAsia's financials both directly and indirectly in the future.

3. Salient terms of the SHA

a. In compliance with Vietnamese aviation laws on foreign shareholding, AirAsia will hold 30% shares in the Joint Venture through AAIL while Gumin will hold the remaining 69.9% and Mr. Tran will hold one (1) share (0.00000001%).

b. The JV Co shall use its best effort to obtain from the Ministry of Transport of Vietnam the license of air transportation business and /or other necessary licenses / permits with the view of commencement of the operations of the business.

The SHA also contains terms common to agreements between shareholders such as reserved matters, board composition, deadlock events, termination and so forth.

4. Capital Injection

The Joint Venture will require capitalization of VND1.0 trillion (MYR194.0 million), of which, AirAsia will contribute 30% (VND 300 billion / MYR 58.2 million) of the aforesaid capital, with further support provided, at the discretion of the Board of AirAsia by loans, advances or other securities it sees fit. This commitment further cements AirAsia's belief that this is a key strategic Joint Venture in the region.

AirAsia will raise internal funding for its portion of the equity.

5. Financial Impact

It is forecasted that the Joint Venture will not make any material contribution in the short term but will contribute positively in the medium to long-term horizon.

6. Risk Factors

The parties have considered the primary risk factors relating to the Joint Venture which are as follows:

a. Competition: Vietnam's domestic LCC landscape is competitive, which could adversely affect the profitability of the Joint Venture.
b. Geopolitics: The economic success of a commercial air passenger service is highly dependent on its ability to operate to China as China is one of the main international markets for Vietnam.
c. Developmental routes: As the JV Co plans to operate underserved routes, fares may be lower than our expectations and routes may require higher investment than estimated in terms of marketing, sales and distribution cost etc.

7. Commencement of Operations

Subject to obtaining the relevant regulatory approvals, the Joint Venture is expected to commence operations by early 2018. The shareholders shall undertake various steps to ensure that all operational, engineering, commercial and administrative aspects of the Joint Venture are in place and ready for the launch.

8. Approvals

The Joint Venture is not subject to the approval of the Company's shareholders. It is however subject to the relevant government authorities in Vietnam for the appropriate licenses and approvals.

9. Directors and Major Shareholders' Interests

None of the directors and/or major shareholders of the Company and persons connected to them, insofar as the existing directors and major shareholders are able to ascertain and are aware, has any interest, direct or indirect in the above-mentioned Joint Venture.

10. Documents available for inspection

The SHA, SSA and BLA 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 31 March 2017.