Subject : **Ancillary Income Sharing Agreement**
:

Contents:

1. Introduction

AirAsia Berhad ("AirAsia" or "the Company") is pleased to announce that it has today entered into an Ancillary Income Sharing Agreement ("the Agreement") with AirAsia X Sdn Bhd ("AAX") for the distribution of profits arising from the following ancillary income streams:

(a) E Gift Vouchers;
(b) Travel 3Sixty Magazine;
(c) Co-Brand Credit Cards; and
(d) Profits from the Joint Venture between AirAsia and Expedia, Inc. ("AirAsia-Expedia JV") where inventory is provided by AAX.

2. Details of AAX

AAX was incorporated on 19th May 2006 and it is an airline which is principally engaged in the provision of long haul air transportation services. AirAsia is holding the entire 42,666,667 Redeemable Convertible Preference Shares Series I of RM1.00 each ("RCPS") in AAX. If the RCPS are converted to ordinary shares, AirAsia will hold 16% of AAX issued and paid up capital.

Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, the Directors and major shareholders of the Company are also Directors of AAX. The current major shareholder of AAX is Aero Ventures Sdn Bhd ("Aero Ventures").

Aero Ventures is a company in which Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun ("Related Parties") are substantial shareholders. Each of the Related Parties has direct and indirect interest of 31.48% and 54.11% respectively in Aero Ventures.
By virtue of the Related Parties' shareholding in Aero Ventures, entering into the Agreement is deemed to be a related party transaction.

3. Salient terms of the Agreement

- The agreed methodology is that profits for indirect income streams are to be distributed is based on total number of passengers flown.
- The revenue streams which will be subject to profit distribution are for E Gift Vouchers, Travel 3Sixty Magazine, Co-Brand Credit Cards and the AirAsia-Expedia JV profits. Any other indirect revenue streams may be included in the future subject to mutual agreement.
- Distributable profits are calculated by deducting from revenue all direct and indirect costs, costs which are apportioned/allocated to AAX , national or local taxes (actual or notional) and bank charges.
- Payments are to be made within 30 days of the end of each quarter.

- The Agreement is valid for a 12 month period and may be extended subject to mutual agreement.
- Commencement of the Agreement is on the date of signing.

4. Rationale for ancillary income sharing

The purpose of entering into the Agreement is to record the parties' agreement on the methodology for distribution of profits accruing from certain indirect income streams. Any inclusion of future indirect income streams shall be subject to mutual agreement and compliance with internal and regulatory requirements.

5. Financial effect of ancillary income sharing

The Agreement will not create 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 31 December 2011.

6. Financial Risks

The financial risks of entering into the Agreement are expected to be very limited because the businesses generating the indirect income streams are already in existence.

7. Directors' and major shareholders' interests

The Related Parties are deemed interested in the Agreement. They have previously abstained and will continue to abstain from all Board and management deliberations in respect of the Agreement.

The Related Parties' direct and indirect shareholdings in AirAsia as at 6th July, 2011 are as set out in the table below.

	Direct		**Indirect**	
	No. of Shares	**%**	**No. of Shares**	**%**
1. Tan Sri Dr Anthony Francis Fernandes	2,627,010	0.09	640,608,382	23.08
2. Dato' Kamarudin bin Meranun	1,692,900	0.06	640,608,382	23.08

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.

8. Audit Committees' 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 fair, reasonable and on commercial terms not detrimental to the interest of the minority shareholders, due to the reasons stated in the rationale above.

9. Directors' opinion

Save for the above interested directors (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, is entered into under fair, reasonable and normal commercial terms and is not detrimental to interest of minority shareholders.

10. Highest Percentage Ratio

The highest percentage ratio applicable to this transaction is 0.01% 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 1.57%.

11. Total Amount Transacted for the preceding 12 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 RM75,651,587.77.

12. Approval required

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

13. Document available for inspection

The Agreement which is signed today 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 hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 6th July 2011.