

Bursa Announcement

Subject: AirAsia Berhad – Corporate Rate Agreement with Tune Hotels Regional Services Sdn. Bhd.

Content:

1. Introduction

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Board of Directors (“**Board**”) of AirAsia Berhad (“**AAB**” or “**Company**”) wishes to announce that the Company and Tune Hotels Regional Services Sdn. Bhd. (“**Tune Hotels**”) have on 30 November 2016 entered into a Corporate Rate Agreement (“**Agreement**”) to provide accommodation services for AirAsia Pilots & Crew training (“**Transaction**”) located in Tune Hotel Sepang, Low Cost Carrier Terminal, Lot PT29, Jalan KLIA S4, 64000 Sepang, Selangor.

2. Details of Tune Hotels

2.1 Tune Hotels was incorporated in 2007 in Kuala Lumpur, Malaysia and has since grown the brand to one of the fastest growing value hotel brands in countries such as Malaysia, Indonesia, Australia, India and United Kingdom.

2.2 Tune Hotels is a wholly owned subsidiary of Tune Hotels.com Ltd.

2.3 Tune Group Sdn. Bhd. is a substantial shareholder in TuneHotels.com Ltd and ultimate holding company of Tune Hotels.

2.3 Tune Hotels is deemed to be a related party to AAB by virtue of the fact that:

- (a) Tune Group Sdn. Bhd. is owned by Tan Sri (Dr.) Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun (50% each), who are also substantial shareholders in AAB.
- (b) Tune Group Sdn. Bhd. owns 56.9% of Tune Hotels.com Ltd.
- (c) Tune Hotels.com Ltd owns 100% of Tune Hotels.com (BVI) Ltd, which in turn owns 100% of Tune Hotels in which both Tan Sri (Dr.) Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun are the directors.

(Tan Sri (Dr.) Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun are collectively referred to as “**Related Parties**”).

3. Salient Terms of the Agreement

3.1 The Agreement will be in full force for a period of one (1) year and the parties may mutually extend the period of the Agreement prior to its expiry.

3.2 Tune Hotels shall provide eighty (80) rooms per month to accommodate AirAsia Cabin Crew and Pilots during their training period in Asian Aviation Centre of Excellence (“**AACE**”). The provision of services by Tune Hotels will be governed by the Agreement.

- 3.3 The contract value of this Transaction is MYR2,190,720.00, excluding applicable taxes.
- 3.4 AirAsia shall have the right to carry out audit and/or inspections of Tune Hotels' facilities in order to ensure Tune Hotels' services are up to the agreed terms of the Agreement.
- 3.5 Either party may terminate the Agreement by giving a six (6) month notice.
- 3.6 The Agreement is governed by the laws of Malaysia.

4. Financial Effect of the Agreement

The 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 the Company. It is not expected to have material effect on the net assets per share, earnings per share and gearing of the Company for the financial year ending 31 December 2016.

5. Basis of Consideration

Comparisons were made with other hotels in the neighboring areas for factors such as accommodation rates, transportation costs and security standards. The Company concluded that Tune Hotels provides the best offering and value for money.

6. Financial Risks

The financial risks associated with the Agreement are expected to be limited to the contract value.

7. Rationale for the Transaction

- 7.1 AAB requires approximately eighty (80) bedroom units to fulfil the need of Crew accommodation for training. Currently, AAB's Crew on training are being placed in a hotel in Cyberjaya – located approximately forty (40) minutes away from AACE. Due to the limited number of rooms which the Cyberjaya hotel can offer, the Company has led to also rent other lodgings for Crew accommodation giving rise in transportation and logistical issues.
- 7.2 By entering into the Agreement, the following benefits shall be enjoyed by AAB:
- a) **Transportation Cost:** Transportation to AACE will be provided by Tune Hotels under the Agreement.
 - b) **Availability:** Tune Hotels, LCCT has ample rooms available to accommodate the Crew.
 - c) **Privacy:** Crew will get their own individual room which includes its own washroom compared to the twin sharing arrangement in Citadines. There will also be a crew lounge where some common facilities will be made available such as foosball table, pool table, table tennis, etc.

8. Directors' and Major Shareholders' Interests

The Related Parties are deemed interested in the Agreement and they have abstained from all management and Board's deliberations in respect of the Agreement. The Related Parties' direct and indirect shareholdings in the Company as at 30 November 2016 are as set out in the table below:

Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
Tan Sri (Dr.) Anthony Francis Fernandes	1,600,000	0.06	516,485,082	18.56
Datuk Kamarudin Bin Meranun	2,000,000	0.07	516,485,082	18.56

Save as disclosed, no other directors and/or major shareholders of the Company and/or person connected with them have any interest, whether directly or indirectly in the Agreement.

9. 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 is entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders.

10. Statement By Directors

The Directors (other than the Directors who have abstained as stated in Section 8 above) 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.

11. Approval Required

The value of the Transaction would not breach the 5% percentage ratio as prescribed under the MMLR of Bursa Securities. As such, the Company does not require the approval of its shareholders or any authorities.

12. Highest Percentage Ratio

The highest percentage ratio applicable to this Transaction is 0.05% and the highest aggregated percentage ratio for all transactions between the Company and the Related Parties and/or persons connected with them pursuant to Paragraph 10.12(1) of the MMLR of Bursa Securities is 4.41%.

13. Total Amount Transacted For the Preceding Twelve (12) Months

The total amount transacted between AAB and the Related Parties and/or persons connected with them for the preceding twelve (12) months is MYR145.20 million.

14. Document available for inspection

The Agreement is available for inspection by members 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 3 months from the date of this announcement.

This announcement is dated 30 November 2016.