

Bursa Announcement

Subject : Distribution Agreement between AirAsia Berhad and Tune Ins Holdings Sdn Bhd and Call Option Agreement between AirAsia Berhad, Tune Ins Holdings Sdn Bhd and Tune Money Sdn Bhd

Contents:

1. Introduction

AirAsia Berhad (“AirAsia” or “Company”) is pleased to announce that it has today entered into a Distribution Agreement with Tune Ins Holdings Sdn Bhd (“TIH”) in relation to the provision of insurance products to customers of the Company (the “Agreement”), and a Call Option Agreement with TIH and Tune Money Sdn Bhd (“TMSB”) for the right to purchase shares in TIH (“Call Option”), the salient terms thereof which are set out in Section 3 below.

2. Details of TIH

TIH was incorporated on 14 June 2011 and is principally engaged in business as providers of insurance services and other related services. TIH is a wholly owned subsidiary of TMSB.

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

Both Tan 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 and the Call Option are deemed to be related party transactions.

3. Salient terms of the Agreement and the Call Option

The Agreement shall supersede and replace the Business Collaboration and Outsourcing Agreement dated 2 March 2011 entered into between the Company and TMSB.

3.1 Under the Agreement, TIH agrees to provide to AirAsia the following services (“Services”) for a period of 10 years in consideration of a share of the revenue generated:

- (a) Undertake the management of the 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 travel insurance;
 - Working with various insurance partners to capture business opportunities for AirAsia 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.

3.2 The Agreement allows the Parties to review of the terms of the Agreement in good faith should AirAsia receives proposals from third parties which offer terms which are more advantageous. The Agreement provides for a mechanism to assess the commercial viability and the fairness of third party proposals as well the procedure for the parties to terminate the Agreement following the assessment. Where TIH offers the Services to other airlines at better rates, the parties agree to ensure that the commercial terms of the Agreement may be revised to ensure that they are at par to the terms offered to other airlines.

3.3 The projected value in relation to this transaction for the duration of the Agreement shall be RM 43,160,000.

3.4 Under the Call Option, TMSB and TIH grant to AirAsia an irrevocable right to purchase up to twenty percent (20%) equity interest in TIH ("Share Purchase") during the tenure of the Agreement or prior to the listing of TIH.

The Call Option entitles AirAsia to purchase the shares ("Option Shares") at the Option Price of one time the net asset of TIH subject to a maximum price of RM16 million.

AirAsia shall be entitled to a customary legal and financial due diligence of TIH prior to the transfer of the shares.

Once the Share Purchase has been exercised and TIH fails to be listed during the term of the Agreement, AirAsia has the right to a Put Option requiring TMSB to re-purchase the Option Shares.

4. Rationale for entering into the Agreement

The rationale for entering into the Agreement is as follows:

- (a) To improve performance of the travel insurance business and reduce cost of dealing with multiple parties through the central management of the insurance gateway, customer interaction and claims by TIH.
- (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. The financial risks associated with the Call Option are expected to be limited as the Company is entitled to a legal and financial due diligence of TIH should the Company choose to exercise the Share Purchase, and further, the Company has the right to a Put Option requiring TMSB to re-purchase the Option Shares in the event TIH fails to be listed during the term of the Agreement.

6. Directors' and major shareholders' interests

The Related Parties are deemed interested in the Agreement and the Call Option and they have abstained from all Board and management deliberations in respect of the Agreement.

The Interested Parties' direct and indirect shareholdings in AirAsia as at 20 April 2012 are as set out in the table below:-

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Tan Sri Dr Anthony Francis Fernandes	3,227,010	0.12	362,957,782*	13.06
Dato' Kamarudin bin Meranun	1,692,900	0.06	362,957,782*	13.06

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 and the Call Option.

7. Audit Committee's Opinion

The Audit Committee having considered all the relevant factors in respect of the Agreement and the Call Option are of the opinion that entering into the Agreement and the Call Option are in the best interest of the Company as the Agreement and the Call Option entered are 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 and considering the limited level of risk exposure mentioned 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 and the Call Option are of the opinion that entering into the Agreement and the Call Option are 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 and the Call Option

This Agreement and the Call Option 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 a material effect on the net assets per share, earnings per share and gearing of AirAsia for this financial year ending 31st December 2012.

10. Approval required

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

11. Highest percentage ratio

The highest percentage ratio applicable to this transaction is 1.63% 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 4.6%.

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 RM19,480,519.15.

13. Documents available for inspection

The Agreement and the Call Option Agreement are 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 20 April 2012.