

**Subject: Inflight entertainment and connectivity solutions agreement between AirAsia Berhad and Tune Box Avionics Sdn. Bhd.**

**Contents:**

**1. Introduction**

AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that it has today entered into an inflight entertainment and connectivity solutions agreement (“Agreement”) with Tune Box Avionics Sdn. Bhd. (“TB”). The salient terms of the Agreement are set out in Section 3 below.

**2. Details of TB**

TB was incorporated as a private limited company in Malaysia on 26 December 2013. TB is a wholly-owned subsidiary company of Tune Box Sdn. Bhd., a company incorporated in Malaysia on 7 March 2011. TB is deemed a related party to AirAsia by virtue of the fact that two of Tune Box Sdn. Bhd.’s indirect shareholders (i.e. Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun) are also the shareholders (directly and via Tune Air Sdn. Bhd.) and Directors in AirAsia (“Related Parties”).

Caterham Technology and Innovation Ltd is an investment holding company that is the single largest shareholder in Tune Box Sdn. Bhd. and it is 100% owned by Caterham Enterprises Limited, which is jointly owned by Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun.

**3. Salient terms of the Agreement**

- a) Under the Agreement, AirAsia enters into a commercial agreement for the sale and maintenance of an inflight entertainment and connectivity (IFEC) solutions by TB.
- b) The Agreement shall be for the duration of seven (7) years from the effective date, subject to rights of the parties to terminate prior to expiry of the Agreement.
- c) The total contract value in relation to the Agreement is USD33,549,010.00.
- d) **Certification and Validation for the A320-214**

Upon signing the Agreement with TB, AirAsia shall only be liable for the purchase of four (4) shipsets from TB.

AirAsia’s obligation for the remaining shipsets will only come into effect upon:

- satisfaction of user acceptance test (“UAT”) on the prototype aircraft on the functionalities and performance; and
- obtainment of the relevant European Aviation Safety Agency (“EASA”) or Federal Aviation Administration (“FAA”) for Supplemental Type Certificate (“STC”) or Department of Civil Aviation (“DCA”) Malaysia certification/validation.

This minimises the risk posed to AirAsia in the event there is a failure to obtain approval from EASA or FAA for STC or DCA Malaysia and/or failure to satisfy the UAT.

e) **Telecommunications Licensing**

TB shall endeavor to obtain the telecommunications licensing for Malaysia and where TB fails to obtain the license in accordance with the Agreement, AirAsia may terminate the contract with no liability by either party.

f) **Service Level Agreement**

AirAsia and TB shall agree on the service levels and the UAT criteria by 30 April 2014.

g) **Data Commitment**

Any commitment/contingent liability arising as a result of the Inmarsat agreement to be entered into between Inmarsat and TB for provision of “SwiftBroadBand” shall be shared equally by AirAsia and TB.

**4. Rationale for entering into the Agreement**

This transaction offers low upfront capital expenditure compared to traditional inflight entertainment systems and also offers access to lowest pricing as a key partner and launch customer. Under this Agreement, it will enable additional inflight services that AirAsia can monetise such as sale of data roaming packages (in conjunction with telecommunications operators) and boost electronic platform and online credit card purchases.

**5. Financial Risks**

AirAsia does not foresee any exceptional risk other than normal financial and operational risk associated with the transaction. AirAsia will take the necessary steps to mitigate the risks as and when it occurs.

**6. Directors’ and major shareholders’ interests**

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

The Related Parties' direct and indirect shareholdings in AirAsia as at 1 April 2014 are as set out in the table below.

	Direct		Indirect*	
	No. of Shares	%	No. of Shares	%
Tan Sri Dr. Anthony Francis Fernandes	1,600,000	0.06	640,608,382	23.03
Datuk Kamarudin Bin Meranun	2,000,000	0.07	640,608,382	23.03

*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.

#### **7. 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 this Agreement is in the best interest of AirAsia and the Agreement is entered under fair, reasonable and on normal commercial terms which are not detrimental to the interest of the minority shareholders, due to 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 is of the opinion that entering into the Agreement is in the best interest of AirAsia.

#### **9. Financial effect of the Agreement**

This 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 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 2014.

**10. Approval required**

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

**11. Highest percentage ratio**

The highest percentage ratio applicable to this transaction is 1.86% 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 3.91%.

**12. Total amount transacted for the preceding twelve months**

The total amount transacted between AirAsia and the Related Parties and/or persons connected with them for the preceding twelve (12) months was RM12,193,448.

**13. Document available for inspection**

The Agreement is 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 3 months from the date of this announcement.

This announcement is dated 1 April 2014.