

Subject : AIRASIA BERHAD ("AIRASIA" OR "COMPANY")
Extension of Term of the Cooperation Agreement with Tune Talk Sdn Bhd

Contents:

1. Introduction

AirAsia is pleased to announce that it has today formalized and extended the term of the Cooperation Agreement with Tune Talk Sdn Bhd ("TTSB") (the "Extension"). The purpose of the Extension is to preserve party's obligation and at the same time generate extra revenue and further boost the AirAsia's branding, the salient terms thereof which are set out in Section 3 below.

2. Details of TTSB

TTSB was incorporated on 13 January, 2006 and is principally engaged in business as providers of telecommunication services and other related services.

TTSB is 23.42% owned by Tune Ventures Sdn Bhd in which both Dato' Sri Dr Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are substantial shareholders.

3. Salient terms of the Extension

Under the terms of the Extension:

- (a) the duration of the term will be extended up to 27th July 2011;
- (b) To continue the selling any unsold TTSB SIM Cards;
- (c) To allow TTSB to continue redeeming unutilized e-gift Voucher;
- (d) To continue utilising the various advertising platforms; and
- (e) To continue the Company's entitlement to be remunerated with a 5% sale commission on total top-up sales.

4. Rationale for entering into the Extension

The rationale for entering into the Extension is as follows:

- (a) To preserve parties' obligations under the Cooperation Agreement;

- (b) To generate extra revenue through sales of TTSB SIM Cards and Top Up Voucher;
- (c) To generate additional online ticket sales via distribution of e-gift voucher by TTSB through its loyalty programs; and
- (d) To enhance and further boost AirAsia's branding through various advertising platforms made available by TTSB free of charge.

5. Financial Risks

The downside financial risks associated with the Extension are expected to be very limited because the Company does not need to make extra investment to market or sell the TTSB SIM card or Top Up Voucher, which will be sold on board all AirAsia's flights by the Company's existing manpower. In addition, the Company will be able to generate more online sales via the e-gift vouchers and additional revenue from selling TTSB's SIM Card and Top Up Voucher.

6. Financial effect of the Extension

This Extension will not create any material financial impact nor will it have any effect on the share capital and substantial shareholders' shareholdings of AirAsia in the current financial year. It is also not expected to have a material effect on the consolidated net assets of AirAsia and the consolidated earnings of AirAsia for this financial year ending 31st December 2010.

7. Directors' and major shareholders' interests

Dato' Sri Dr Anthony Francis Fernandes and Dato' Kamarudin bin Meranun are directors and major shareholders of the Company. Hence, they are deemed interested in the Extension. They have abstained from all Board and management deliberations in respect of the Extension and provision of the services.

The interested directors' and interested major shareholders' direct and indirect shareholdings in AirAsia as at 21 October 2010 are as set out in the table below:-

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Sri Dr Anthony Francis Fernandes	2,627,010	0.09	729,458,382	26.35
Dato' Kamarudin bin Meranun	1,692,900	0.06	729,458,382	26.35

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 Extension.

8. Audit Committee's opinion

The Audit Committee having considered all the relevant factors in respect of the Cooperation Agreement and is of the opinion that entering into the Extension is on terms fair, reasonable and at arm's length basis and considered to be non detrimental to the interest of the minority shareholders.

9. Statement by Board of Directors

Save for the above interested directors (who have abstained), the Board having considered all the relevant factors in respect of the Extension is of the opinion that entering into the Extension is in the best interest of the Company and the close co-operation has reaped mutual benefits which are expected to continue to be beneficial to the business of the AirAsia Group.

10. Approval required

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

11. Document available for inspection

The Extension 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 days from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 21st day of October 2010.