

Bursa Announcement

Subject : Extension of Agreement between AirAsia Berhad and 1Malaysia Racing Team Sdn. Bhd.

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1. Introduction

Pursuant to our announcement dated 26 May 2011, AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that it has today entered into an extension (“Extension”) to the sponsorship agreement dated 26 May 2011 (the “Agreement”) with 1Malaysia Racing Team Sdn Bhd (“Caterham F1”) to be an official team partner of Caterham F1, the F1 racing team formerly known as Team Lotus (“Official Team Partner”) and title sponsor of the Caterham F1 Driver Development Program (the “Program”).

2. Details of 1Malaysia Racing Team Sdn Bhd (Caterham F1)

- 2.1 Caterham F1 was incorporated on 16 October 2009 and is principally engaged in Formula One (“F1”) racing.
- 2.2 Tan Sri Dr. Anthony Francis Fernandes and Dato’ Kamarudin Bin Meranun, the Directors and major shareholders of the Company are also the Directors and substantial shareholders of Caterham F1 each having direct interest of 25% respectively. They are also Co-Team Principals of Caterham F1.

3. Salient terms of the Extension

- 3.1 Under the Extension, the Company shall be an Official Team Partner of Caterham F1 and title sponsors of the Program for the duration of the 2012 F1 racing season at the same terms as provided in the Agreement, except in relation to the sponsorship amount from the Company to Caterham F1, which shall be as follows:
 - a) RM 5,360,000.00 Company media value/space
 - b) RM 1,000,000.00 Further expenditure in relation to advertising, on ground and PR related activities with Caterham F1
- 3.2 The Extension shall be for a period of one (1) year, effective from 1 January 2012.

4. Rationale for entering into the Extension

4.1 Continuous Brand Elevation

Through continuous association with F1, the Company intends to elevate its brand perception from that of a low cost carrier to a brand associated with high end sports and cutting edge F1 technology.

4.2 Product & Brand Differentiation

The Company intends to use sports sponsorship and sports branding to drive consumer aspirations and build sports related themes in relation to sales campaigns for various flight destinations. This will enable the Company to differentiate itself against its competitors which are only pushing low fares and also attract a different segment of customers wanting to associate themselves with F1.

4.3 PR Value

Caterham F1 is a Malaysian brand, and the Company's involvement and support will generate significant local interest and goodwill towards the Company.

Sponsorship of the Program will provide the Company with exposure through the Caterham F1 Team website, and continued support of the Company's initiatives throughout the year through their media platforms.

Through this Program, the Company will have a significant role in helping to nurture drivers from across the region which will create strong PR opportunities Asean-wide as well as domestically.

5. Financial Risks

The financial risks associated with the Extension are expected to be minimal as the risks are limited to the sponsorship fee stated above.

6. Directors' and major shareholders' interests

Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun ("the Related Parties"), who are Directors and major shareholders of the Company are deemed interested in the Extension. They have abstained from all Board and management deliberations in respect of the Extension.

The Related Parties' direct and indirect shareholdings in the Company as at 30 December 2011 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	13.07
Dato' Kamarudin bin Meranun	1,692,900	0.06	*362,957,782	13.07

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 the Company and/or persons connected with them have any interest, whether directly or indirectly, in the Extension.

7. Audit Committees' opinion

The Audit Committee 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 as the transaction entered is fair, reasonable and on commercial terms which are not detrimental to the interest of the minority shareholders, due to the reasons stated in the rationale above.

8. Directors' opinion

Save for the above interested directors (who had abstained from all deliberations), 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, are entered into under fair, reasonable and normal commercial terms and is not detrimental to interest of minority shareholders.

9. Highest Percentage Ratio

The highest percentage ratio applicable to this transaction is 0.17% 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 2.84%.

10. 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 RM34,731,967.67.

11. Financial effect of the Extension

This Extension 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 the Company. It is also not expected to have a material effect on the net assets per share, earnings per share and gearing for this financial year ending 31st December 2011.

12. Approval required

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

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

This announcement is dated 30th December, 2011.