

Bursa Announcement

Subject : Joint Venture between AirAsia Berhad and Tune Money Sdn Bhd

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1. Introduction

AirAsia Berhad (“AirAsia” or “Company”) is pleased to announce that it has today entered into a joint venture (“JV”) with Tune Money Sdn Bhd (“TMSB”) in relation to the launch of a customer loyalty programme and pre-paid card services under the brand “BIG” (the “Loyalty Programme”), the salient terms whereof are set out in Section 3 below.

The JV shall operate through a joint venture company (“JV Company”) under the name of Think Big Digital Sdn. Bhd to be equally owned by AirAsia and TMSB. The initial share capital of the JV Company is RM2 comprising 2 ordinary shares of RM1.00 each. The parties intend to increase the share capital of the JV Company to RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each.

2. Details 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”), 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 JV is deemed to be a related party transaction.

3. Salient terms of the JV

Under the JV:

- (a) The JV Company will own, launch, market and operate the Loyalty Programme.
- (b) Under the Loyalty Programme, the Company will issue loyalty points, which shall be sold to the JV Company at the price of RM0.01 per point (“Loyalty Points”).

- (c) The Loyalty Points shall be managed and distributed by the JV Company to AirAsia customers and third party merchants.
- (d) The Loyalty Points are to be collected and used to redeem AirAsia flights by customers of the Company and said third party merchants.
- (e) Under the Loyalty Programme, TMSB will own and issue a BIG branded 2 in 1 VISA pre-paid loyalty card (“Pre-paid Loyalty Card”) (initial launch to be in Malaysia only) and the JV Company will own and issue a BIG branded loyalty card (“Loyalty Card”).
- (f) Pursuant to and in relation to the JV, the following agreements have been signed today:
 - i) Shareholders Agreement between the Company, TMSB and the JV Company governing the relationship between the shareholders of the JV Company.
 - TMSB shall contribute RM10,000,000 as cash consideration for its 50% stake in the JV Company.
 - The Company shall contribute RM10,000,000 worth of services described below (“Services”) as consideration for its 50% stake in the JV Company:
 - 1) Co-branding exposure value on AirAsia media assets; ie. Aircraft livery, website, print and other advertising platforms; and
 - 2) Free and/or discounted AirAsia flights for JV Company promotions.
 - ii) Commercial Agreement between the Company, TMSB and the JV Company setting out the obligations of the parties in relation to the Loyalty Programme:
 - The JV Company’s obligations are to:
 - 1) Manage and administer the operation of the Loyalty Programme;
 - 2) Provide marketing support in relation to the Loyalty Programme;
 - 3) Market and distribute the Loyalty Programme to third party merchants;
 - 4) Purchase loyalty points from the Company to issue for Pre-paid Loyalty Card spend; and
 - 5) Issue the Loyalty Cards.

- TMSB's obligations are to issue and manage the payment system in relation to the Pre-paid Loyalty Cards.
- The Company's obligations are to:
 - 1) Issue and sell Loyalty Points to the JV Company;
 - 2) Manage the redemption promotion and fulfillment process for AirAsia products in relation to the Loyalty Programme;
 - 3) Provide marketing support in relation to the Loyalty Programme; and
 - 4) Provide payment system support in relation to the Loyalty Programme.
- The term of the Commercial Agreement is for a period of two (2) years and the projected value in relation to this transaction for that duration is RM30,400,000.

4. Rationale for entering into the JV

The rationale for entering into the JV is as follows:

- (a) To launch an AirAsia loyalty programme to encourage consumer brand loyalty and the continued patronage of customers of the Company.
- (b) Increased revenue to the Company from the sale of loyalty points.
- (c) Revenue to the Company as shareholders from the profit generated by the JV Company.

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 financial investment.

6. Directors' and major shareholders' interests

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

The Interested Parties' direct and indirect shareholdings in AirAsia as at 20 September 2011 are as set out in the table below:-

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Tan Sri Dr Anthony Francis Fernandes	2,627,010	0.09	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 AirAsia and/or persons connected with them have any interest, whether directly or indirectly, in the JV.

7. Audit Committee's Opinion

The Audit Committee having considered all the relevant factors in respect of the JV is of the opinion that entering into the JV is in the best interest of the Company as the JV entered is under 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 above.

8. Statement by Board of Directors

The Company has appointed Bain & Co. ("Bain"), an external consultancy firm, to conduct a feasibility study on the JV and the Loyalty Programme business model. Bain had done extensive comparative analysis on competing service providers and financial institutions and they have pointed out that TMSB is the most suitable partner for this JV, and that the JV will contribute positively to the future profitability of the Company.

Save for the Related Parties (who have abstained), the Board having considered all the relevant factors in respect of the JV is of the opinion that entering into the JV is in the best interest of the Company.

9. Financial effect of the JV

The JV 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 31st December 2011. The JV is expected to contribute positively to the future profitability of the Company.

10. Approval required

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

11. Highest percentage ratio

The highest percentage ratio applicable to these transactions are 1.11% 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 2.72%.

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 RM65,044,587.87.

13. Documents available for inspection

The Shareholders Agreement and Commercial 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 20th day of September 2011.