

Bursa Announcement

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

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1. Introduction

AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce that it has entered into a sponsorship agreement (the “Agreement”) with 1Malaysia Racing Team Sdn Bhd (“Team Lotus”) to be an official team partner of Team Lotus (“Official Team Partner”) and title sponsor of Team Lotus Driver Development Program (the “Program”) for the duration of the 2011 F1 racing season commencing 26 May, 2011.

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

2.1 Team Lotus was incorporated on 16 October 2009 and is principally engaged in Formula One (“F1”) racing.

2.2 Dato’ Sri Dr. Anthony Francis Fernandes and Dato’ Kamarudin Bin Meranun (“the Related Parties”), the Directors and major shareholders of the Company are also Directors and substantial shareholders of Team Lotus each having direct interest of 25% respectively. They are also Co-Team Principals of Team Lotus.

3. Salient terms of the Agreement

3.1 Under the Agreement, the Company shall pay Team Lotus a Sponsorship amount of USD3,100,000.00 in consideration of which the Company shall be granted Team Partner rights which shall include marketing rights, rights to use Team Partner logo/images, branding rights and hospitality rights.

3.2 The Company expects a substantial return on investment from the sponsorship comprising media exposure value, sale of co-branded merchandise, drivers’ appearances, use of show car, factory tour, PR & brand visibility and paddock passes, and extended AirAsia brand association value.

4. Rationale for entering into the Agreement and Prospect

The Company views the Agreement between AirAsia and Team Lotus as beneficial for the following reasons:

4.1 The Company will be able to communicate and engage with fans and create loyalty through exciting campaigns and on ground activities.

4.2 Association with an F1 team is expected to raise AirAsia’s profile as the preferred airline for sports tourism.

4.3 The Company will have a stronger brand recall and engagement to the brand through its association with Team Lotus, F1 and F1-related travel.

4.4 The Company will receive branding rights through logo placement on the Team Lotus car and may further use the name, fame, imagery and official partner logo of the team for promotional purposes.

4.5 Sponsorship of the Program is aligned with the Company's ASEAN branding and commitment to the development of ASEAN through sports outreach and youth oriented programs.

5. Financial effect of the Agreement

This Agreement 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 material effect on the net assets per share, earnings per share and gearing of the Company for this financial year ending 31st December 2011.

6. Financial Risks

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

7. Directors' and major shareholders' interests

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

The Related Parties' direct and indirect shareholdings in the Company as at 26 May 2011 are as set out in the table below:-

	Direct			Indirect		
	No. Shares	of	%	No. Shares	of	%
Dato' Sri Dr Anthony Francis Fernandes	2,627,010		0.09	*696,108,382		25.08
Dato' Kamarudin Bin Meranun	1,692,900		0.06	*696,108,382		25.08

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 Agreement.

8. Audit Committees' opinion

The Audit Committee 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 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.

9. Directors' opinion

Save for the above interested directors (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 the Company, are entered into under fair, reasonable and normal commercial terms and is not detrimental to interest of minority shareholders.

10. Highest Percentage Ratio

The highest percentage ratio applicable to this transaction is 0.26% 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 1.56%.

11. 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 RM80,366,030.61.

12. Approval required

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

13. Document available for inspection

The Agreement 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 26th day of May 2011.