

AIRASIA GROUP BERHAD (“AAGB” OR THE “COMPANY”)

PROPOSED ACQUISITION BY AAGB OF THE REMAINING 1,665,000 ORDINARY SHARES IN BIGLIFE SDN BHD (“BIGLIFE”), REPRESENTING 20.00% OF THE EQUITY INTEREST IN BIGLIFE, FROM AIMIA HOLDINGS UK II LIMITED (“AIMIA” OR “SELLER”) FOR A PURCHASE CONSIDERATION OF RM103,037,500 TO BE SATISFIED WHOLLY VIA THE ISSUANCE OF 85,864,583 NEW ORDINARY SHARES OF AAGB AT AN ISSUE PRICE OF RM1.20 PER SHARE (“PROPOSED ACQUISITION”)

1. INTRODUCTION

We refer to the announcement dated 22 March 2021 in relation to the memorandum of understanding entered into between AAGB and AIMIA in relation to the Proposed Acquisition (“MOU”).

On behalf of the board of directors of AAGB (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that AAGB had on 14 April 2021 entered into a conditional share sale and purchase agreement (“**SSPA**”) with AIMIA in respect of the Proposed Acquisition.

Further details of the Proposed Acquisition are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information

AirAsia Digital Sdn Bhd (“**AirAsia Digital**”) (formerly known as RedBeat Ventures Sdn Bhd), a wholly owned subsidiary of AAGB, currently owns 6,660,002 ordinary shares in BigLife (“**BigLife Shares**”), representing 80.00% equity interest in BigLife. The Proposed Acquisition entails the acquisition by AAGB from AIMIA of the remaining 1,665,000 BigLife Shares, representing 20.00% equity interest in BigLife (“**Sale Shares**”), not already held by AirAsia Digital, for a purchase consideration of RM103,037,500 (“**Purchase Consideration**”) to be satisfied wholly by the issuance of 85,864,583 new ordinary shares of AAGB (“**AAGB Shares**”) at an issue price of RM1.20 per AAGB Share (“**Consideration Shares**”). Upon the completion of the Proposed Acquisition, BigLife will become a wholly owned subsidiary of AAGB.

2.2 Salient terms of the SSPA

The salient terms of the SSPA are set out in the ensuing subsections:

2.2.1 Sale and Purchase

The Seller agrees to sell, and AAGB agrees to purchase the Sale Shares. AAGB may nominate any nominee as it may direct in writing (namely, AirAsia Digital) to receive the Sale Shares on completion of the Proposed Acquisition (“**Completion**”).

2.2.2 Purchase Consideration

The purchase consideration for the sale and purchase of the Sale Shares under the SSPA shall be RM103,037,500 (approximately USD25.00 million based on an exchange rate of USD1.00:RM4.1215), to be satisfied by the issuance of the Consideration Shares.

On Completion, AAGB shall issue to the Seller (or its holding company, namely, Aimia Inc, as the Seller may direct in writing) the Consideration Shares.

2.2.3 Conditions

The obligations of the Seller and AAGB to consummate the transactions contemplated by the SSPA are subject to the satisfaction or fulfillment, or mutual written waiver, on or before Completion, of, amongst others, each of the following conditions (collectively, the “**Conditions**”):

- (i) no provision of any law shall prevent, enjoin, make illegal or prohibit, or have the effect of preventing, enjoining, making illegal or prohibiting, the consummation of the transactions contemplated by the SSPA, and such prevention, enjoinder, illegality or prohibition is in effect;
- (ii) no proceeding shall have been instituted or threatened by a governmental entity or any third party that has the effect of restraining, delaying, enjoining, preventing, prohibiting or otherwise making illegal the consummation of the transactions contemplated by the SSPA, and such restrain, delay, enjoinder, prevention, prohibition or illegality is in effect;
- (iii) the passing at a general meeting of AAGB of the requisite resolutions to approve the issuance of the Consideration Shares upon the terms and conditions of the SSPA; and
- (iv) the receipt of the approval from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.

If the Conditions set out in paragraphs 2.2.3(iii) and 2.2.3(iv) above are not satisfied or waived on or before 5:00 p.m. on 30 May 2021 (or such other date as agreed between AAGB and the Seller) (“**Cut-Off Date**”), the parties may by mutual agreement in writing extend the Cut-Off Date or failing agreement to extend, the SSPA (other than the surviving provisions) shall lapse and consequently each party shall have no claim against the other party, save for a claim arising out of antecedent breaches of the SSPA.

2.2.4 Completion

Completion shall take place at the offices of AAGB (or at such other venue as AAGB and the Seller may agree) five (5) business days following the date on or by which all Conditions have been fulfilled or waived (in accordance with the terms of the SSPA) other than those Conditions that by their nature are to be satisfied at Completion (but subject to the satisfaction or waiver of those Conditions at Completion) or at such other time as AAGB and the Seller may mutually agree in writing. The date on which Completion occurs is referred to as the “**Completion Date**”.

2.2.5 Termination

If on or before the Completion Date, either party to the SSPA materially breaches any of the representations or warranties or any provisions of the SSPA, the non-defaulting party shall then be entitled to elect to rescind the SSPA. In the event that either party to the SSPA exercises their rights to rescind the SSPA, the SSPA shall terminate and be of no further effect (other than the surviving provisions) and consequently each party to the SSPA shall have no claim against the other party, save for a claim arising out of antecedent breaches of the SSPA.

2.3 Information on BigLife

BigLife was incorporated under the laws of Malaysia on 9 December 2010. It is currently an 80.00%-owned subsidiary of AirAsia Digital.

BigLife is principally engaged in the business of managing customer loyalty schemes whilst its subsidiaries are involved in the marketing and distribution of loyalty programmes.

As at 9 April 2021, being the last practicable date prior to this announcement (“**LPD**”), the directors of BigLife are as follows:

- (i) Datuk Kamarudin bin Meranun
- (ii) Aireen Omar
- (iii) Riad Asmat
- (iv) Philip Charles Mittleman

As at the LPD, the shareholders of BigLife and their shareholdings in BigLife are as follows:

Name	Direct		Indirect	
	No. of BigLife Shares	%	No. of BigLife Shares	%
AirAsia Digital	6,660,002	80.00	-	-
AIMIA	1,665,000	20.00	-	-
AAGB	-	-	6,660,002	⁽¹⁾ 80.00
Datuk Kamarudin bin Meranun	-	-	6,660,002	⁽²⁾ 80.00
Tan Sri Anthony Francis Fernandes	-	-	6,660,002	⁽²⁾ 80.00
Philip Charles Mittleman	-	-	1,665,000	⁽³⁾ 20.00
Total	8,325,002	100.00	8,325,002	100.00

Notes:

- (1) Deemed interested by virtue of its interest in AirAsia Digital pursuant to Section 8 of the Companies Act 2016 (“**Act**”)
- (2) Deemed interested by virtue of his interest in AAGB pursuant to Section 8 of the Act
- (3) Deemed interested by virtue of his interest in AIMIA pursuant to Section 8 of the Act

A summary of the financial information of BigLife for the financial year ended (“**FYE**”) 31 December 2018 to 31 December 2020 is set out below:

	Audited		
	FYE 31 December		
	2018	2019	2020
	RM'000	RM'000	RM'000
Revenue	80,485	148,348	94,191
Profit/(Loss) before tax (“ PBT ”/“ LBT ”)	(17,847)	(23,456)	31,081
Profit/(Loss) after tax (“ PAT ”/“ LAT ”)	(22,299)	(22,843)	31,132
PAT/(LAT) attributable to equity holders of BigLife	(23,585)	(21,285)	31,903
PAT/(LAT) attributable to non-controlling interests	1,286	(1,558)	(771)
Earnings/(Loss) per BigLife Share (sen)	(2.83)	(2.56)	3.83
Share capital	43,900	43,900	43,900
Shareholders’ deficit attributable to equity holders of the parents/Net liabilities	(72,224)	(93,755)	(61,552)
No. of Shares (‘000)	8,325	8,325	8,325
Net liabilities per BigLife Share (RM)	(8.68)	(11.26)	(7.39)
Current ratio (times)	0.95	0.85	1.24
Total borrowings and lease liabilities	-	171	1,199
Gearing (times)	N/A	N/A	N/A

2.4 Information on AIMIA

AIMIA was incorporated in the United Kingdom under the laws of England and Wales on 20 December 2010 under the name of Aimia Holdings UK II Limited as a private limited company.

The principal activity of AIMIA is that of a holding company which holds investments for Aimia Inc. group of companies. Aimia Inc. was incorporated on 5 May 2008 under the laws of Canada and its principal activity involves long-term investments in public and private companies, on a global basis, through controlling or minority stakes.

As at the LPD, the issued share capital of AIMIA is GBP502,423, comprising 50,242,369 shares. AIMIA is wholly owned by Aimia Inc. Aimia Inc. is a holding company listed on the Toronto Stock Exchange with a market capitalisation of C\$482.8 million as at the LPD. Aimic Inc is an existing shareholder of AAGB with 35,609,826 AAGB shares held, equivalent to 0.93% of the total number issued shares of AAGB as at the LPD.

As at the LPD, the directors of AIMIA are as follows:

- (i) Martin Palmer
- (ii) Jason Reader
- (iii) Steve Leonard

2.5 Basis of and justification in arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis, after taking into consideration, *inter alia*, the following:

- (i) the previous purchase consideration paid by AIMIA in 2014 when it acquired its initial stake in BigLife which valued BigLife at USD109 million for 100.00% equity interest;
- (ii) the future prospects of BigLife which includes, amongst others, its key initiatives to accelerate growth and continue building a presence in ASEAN as it grows together with the Group's (as defined below) other digital initiatives and transformation plans; and
- (iii) the rationale and synergistic benefits of the Proposed Acquisition.

In addition to the above, Deloitte Corporate Advisory Sdn Bhd ("**Deloitte**" or "**Valuer**") has been appointed to undertake an independent valuation of the entire equity interest in BigLife. The indicative valuation range is between RM463 – RM567 million (equivalent to approximately USD112 - USD137 million) based on an exchange rate of USD1:RM4.1215 for 100.00% equity interest in BigLife. The Purchase Consideration is within the indicative valuation range ascribed by the Valuer.

In arriving at the indicative valuation range, Deloitte has used the Discounted Cash Flow ("**DCF**") method as the primary approach. The DCF method is based on management of BigLife's cash flow projections from FYE 2021 to FYE 2030. The discount rate used in the indicative valuation has considered, amongst others, the risk-free rates, market risk premiums, cost of debt and corporate tax rates of the main countries that BigLife is operating in based on the revenue contribution from the respective countries. The comparable company analysis is used as a cross-check.

2.6 Basis of and justification in arriving at the issue price of the Consideration Shares

The issue price of RM1.20 per Consideration Share had taken into consideration the historical trading prices of AAGB which represents a premium over the following closing market price and volume-weighted average prices ("**VWAP**") of AAGB Shares:

	Market price	Premium over market prices/VWAP	
	RM	RM	%
Closing price of AAGB Shares as at 19 March 2021, being the market day immediately preceding the date of the MOU	1.1900	0.0100	0.84
5-day VWAP of AAGB Shares up to and including 19 March 2021	1.1796	0.0204	1.73
1-month VWAP of AAGB Shares up to and including 19 March 2021	1.0267	0.1733	16.88
3-month VWAP of AAGB Shares up to and including 19 March 2021	0.9472	0.2528	26.69

The last closing price of AAGB shares on 13 April 2021, being the date prior to the date of this announcement is RM0.985.

2.7 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issue, rank equally in all respects with the then existing AAGB Shares, save and except that the holder of the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the shareholders of AAGB, the entitlement date of which is prior to the date of allotment of the Consideration Shares.

2.8 Listing of and quotation for the Consideration Shares

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition to be listed on the Main Market of Bursa Securities.

2.9 Liabilities to be assumed by the Company

Save for the liabilities arising from the ordinary course of business of BigLife, the Company will not be assuming any liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisition.

2.10 Additional financial commitments

Save for the Purchase Consideration in respect of the Proposed Acquisition, the Company is not expected to assume any additional financial commitment to put the business of BigLife on-stream as BigLife is already in operation and has an on-going business.

2.11 Source of funding

The Company intends to fund the Purchase Consideration through the issuance and allotment of the Consideration Shares to the Seller which will enable the Group (as defined below) to undertake the Proposed Acquisition without incurring interest expense as compared to bank borrowings, which in turn will allow the preservation of its cash reserves which can be utilised for its business and working capital requirements and for future potential opportunities to expand its existing businesses.

2.12 Original date and cost of investment in BigLife

The details of the dates and original cost of investment made by AIMIA in the Sale Shares are as follows:

Date of investment	No. of Sale Shares	Cost of investment (RM)
29 January 2014*	740,000	36,500,000.00
10 February 2014	344,186	14,600,025.93
31 December 2014	279,910	10,949,995.23
28 December 2015	300,904	10,950,000.07
Total	1,665,000	73,000,021.23

Note:

* Sale of 740,000 existing BigLife shares held then by Tune Money International Sdn Bhd to AIMIA for a consideration of RM36,500,000

3. RATIONALE FOR THE PROPOSED ACQUISITION

The rationale and benefits of the Proposed Acquisition are, *inter alia*, as follows:

- (i) the Proposed Acquisition will enable AAGB and its subsidiaries (“**Group**”) to gain 100% control of BigLife and be in the position to drive the future strategic direction, accelerate decision making and increase efficiency and productivity of the business; and
- (ii) the digital initiatives of the Group under AirAsia Digital have been on a growth trajectory with the transformation of its subsidiaries into an all-in-one digital travel and lifestyle ecosystem anchored by airasia super app platform, a single platform offering all products under the Group as well as third parties. The Proposed Acquisition would also enable the Group to drive greater synergies with the Group, which would further increase the value of AAGB’s digital assets thereby strengthening AAGB’s position to recover on a stronger footing from the COVID-19 pandemic.

4. INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter (3Q 2020: - 2.6%), largely attributable to the imposition of the Conditional Movement Control Order (“**CMCO**”) on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

Domestic demand recorded a decline of 4.4% in the fourth quarter of 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports.

Private investment recorded a smaller decline of 7.0% (3Q 2020: -9.3%), mainly supported by continued capital spending in existing projects, particularly in the export-oriented industries. Meanwhile, public investment registered a larger decline of 19.8% (3Q 2020: -18.6%). This reflects lower spending on fixed assets by the general government and weaker demand in most sectors which continued to weigh on capital spending by public corporations.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (“**CPI**”), was slightly lower at -1.5% during the quarter (3Q 2020: -1.4%). This was mainly due to lower inflation for rental and communication services respectively as well as the larger annual decline in retail fuel prices. These were partly offset by higher inflation in other categories, in particular, transport services and food. The lower inflation for communication services followed the lapse in the base effect of higher fixed telephone line call charges introduced in 2019.

The lower rental inflation reflects weak demand for housing as income remained weak, as well as the new work arrangements and border closures. Retail fuel prices declined at an annual rate of 19.2% in the fourth quarter (-18.8% in 3Q 2020) although they were relatively stable on a quarterly basis. Following the lower inflation for communication services and rental, core inflation moderated to 0.8% during the quarter (3Q 2020: 1.0%).

For Malaysia, the momentum in economic recovery was affected by the resurgence in COVID-19 cases and the introduction of targeted containment measures in several states in the fourth quarter. While there were minimal restrictions on production capacity, the movement restrictions implemented in selected states partly affected domestic demand during the quarter.

Conditions in the domestic financial markets improved in the fourth quarter of 2020, as positive global developments buoyed investor sentiments. Of significance, investor risk appetite improved during the quarter amid positive developments on the approval and deployment of COVID-19 vaccines and greater clarity on US policy direction following the outcome of the US presidential election.

As a result, the domestic financial markets experienced broad-based improvements across asset markets, in line with the regional trend. In the fourth quarter of 2020, domestic financial markets experienced continued non-resident portfolio inflows, which led to an appreciation of the ringgit against the US dollar by 3.6% amid broad US dollar weakening. These inflows were mainly into the domestic bond market, which contributed to the decline of the 3-year, 5-year and 10-year MGS yields by 11.0, 13.4 and 1.0 basis points, respectively. While Fitch Ratings downgraded Malaysia's sovereign rating to BBB+ in December 2020, the impact to the domestic bond market from this downgrade was muted.

For 2021, while near-term growth will be affected by the re-introduction of stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards. The improvement will be driven by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures including PENJANA, KITA PRIHATIN, 2021 Budget and PERMAI, and higher production from existing and new facilities in the manufacturing and mining sectors. The vaccine rollout from February onwards is also expected to lift sentiments.

The balance of risks remains tilted to the downside, stemming mainly from ongoing uncertainties surrounding the dynamics of the pandemic and potential challenges that might affect the rollout of vaccines both globally and domestically.

In line with earlier assessments, the average headline inflation was negative at -1.2% in 2020 due mainly to the substantially lower global oil prices. For 2021, headline inflation is projected to average higher, primarily due to higher global oil prices. Underlying inflation, as measured by core inflation, is expected to remain subdued amid continued spare capacity in the economy. The outlook, however, is subject to global oil and commodity price developments.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, BNM Quarterly Bulletin, Bank Negara Malaysia)

4.2 Overview and outlook of the loyalty management market

The global loyalty management market size stood at USD2.47 billion in 2019 and is projected to reach USD10.02 billion by 2027, exhibiting a Compound Annual Growth Rate (“CAGR”) of 19.9% during the forecast period.

The digital explosion and growing competition have made customer loyalty and engagement a very difficult task. Brands and retailers are focusing on integrated plans to maintain their customer base. These loyalty programs offer customers early access to sales, coupons, and products along with free merchandise. Organisations are strongly shifting their approach towards the adoption of loyalty solutions to gain repetitive sales for brands. Technological revolution and digitalisation have transformed loyalty programs and retain insights from user experience and engagement cycle. Real-time communication facilities and purchasing analytics transform the loyalty program platforms into effective marketing channels. Retailers are largely adopting loyalty programs to augment their sales by maintaining a strong and loyal customer base. The evolution of loyalty program has led to the creation of omnichannel platforms to encourage customers to earn and utilise points across multiple channels such as websites, applications, or in-store. Their capacity to boost sales and revenue by augmenting customer satisfaction has made personalised loyalty programs favourable among businesses.

Loyalty is closely interrelated with customer experience. Emerging technologies such as artificial intelligence (“AI”) and machine learning (“ML”) can predict human behaviour and purchasing patterns through different analytics. Additionally, AI and ML technologies have the potential to transform the loyalty industry. Advanced AI algorithms are capable of predicting customer behaviour and influence their purchase patterns. This predictive analysis is used to target relevant customers to augment user experience, which in turn expected to drive the growth of this market in the coming years. AI is capable of monitoring multiple transactions, as well as detecting and eliminating fraudsters who may attack loyalty points accounts. Moreover, AI and ML can offer retailers intelligent insights that can enhance customer conversation, experience, and overall sales. The advantageous features offered by these tools are anticipated to further boost this market growth.

To derive substantial growth from loyalty platforms, key players have started to add personalisation into their loyalty platforms. Personalisation helps to enhance a customer’s attention and experience. Customers are showing interest in personalised recommendations, coupons, and promotions. Such loyalty programs enhance customer satisfaction, which in turn fuels loyalty platform adoption. By using data captured in multichannel loyalty programs, brands can make personalised recommendations and offers to gain customer’s attention and loyalty. For instance, in April 2018, Marriott International, Inc. partnered with Salesforce Inc. to conduct personalised loyalty programs for their customers across different channels such as web, mobile, and call centers on a global scale. Personalised loyalty programs increase sales, customer loyalty, and online traffic as well as profit and are hence favoured by retailers.

Moreover, major airline companies such as Aeroplan and Avion have adopted loyalty and rewarding schemes for improving customer satisfaction. Not only travel companies, but hotels and rental car companies are also paying attention to loyalty programs. Hotels, restaurants, as well as rental car companies reward their customers through “points”. Majority of the travellers are loyal to the hotel and travel brands and loyalty programs are helping maintain a loyal customer base. The approach of each brand to differentiate itself from their competitors is expected to surge the loyalty program adoption across the transportation and hospitality industry.

(Source: Loyalty Management Market Size, Share and COVID-19 Impact Analysis 2020-2027, Fortune Business Insights, 2019)

4.3 Impact of COVID-19 on AAGB

Our strong rebound in the 3rd quarter of 2020 for the Malaysian domestic market was hampered in the 4th quarter of 2020 with softer performance due to the partial lockdowns imposed in October 2020 and November 2020. Nonetheless, with active capacity management, the Group achieved an overall load factor of 67%, and 72% for the Malaysian operations in the 4th quarter of 2020. Performance in our other core markets was positive as AirAsia Indonesia carried five times more passengers in the 4th quarter of 2020 compared to the 3rd quarter of 2020, resulting in an increase in load factor by 10 percentage points quarter on quarter (“QoQ”). AirAsia Philippines almost doubled the number of passengers carried, QoQ. Our associate, AirAsia Thailand, operated 108% and 116% of pre-COVID domestic capacity in November and December 2020, respectively. The Group’s revenue decreased to RM267.44 million for the 4th quarter of 2020, compared to RM442.91 million for the 3rd quarter of 2020.

(Source: Management of AAGB)

4.4 Measures taken to improve the financial performance and condition of AAGB

The Company has undertaken the following measures to improve its financial performance and strengthen its financial position:

- (i) Reduced the Group’s operating expenses by implementing cost cutting measures such as right sizing of manpower, salary cuts for management, staff and directors, negotiation of deferrals with lessors, suppliers and partners and restructuring of fuel hedging positions. This has resulted in fixed costs reduction of 52% in FYE 2020, exceeding the management’s target of 50%;
- (ii) Focused on ensuring its liquidity and capital adequacy and are currently in discussion with banks, lenders and investors on various forms of capital raising. This may include loans from Government or non-governmental sources, which includes, amongst others, securing commitment from banks for the government guarantee loan under the Danajamin PRIHATIN Guarantee Scheme which is in its advanced stages. Its subsidiaries in the Philippines and Indonesia are seeking to tap the capital markets to tide over this challenging period; and
- (iii) Continue to grow the Group’s digital pillar which brings together all its digital businesses. The business of the digital pillar is envisaged to cover e-commerce, logistics and finance across the ASEAN region through the Group’s super app, airasia.com, and will leverage on the extensive reach of the app and its low customer acquisition cost.

In the longer term, all aspects of the Group’s business model will be re-evaluated. The management team will recommend to the Board the optimum capital structure and operational strategy of the Group to meet the air travel needs of its customers while keeping the Group’s financial status at a healthy level and meeting its responsibilities to shareholders. This may involve rationalisation of future planned capacity compared to before the pandemic, taking into account the market outlook and cost structure at that time.

The Board will continue to explore opportunities to improve the Group’s capital structure. If suitable market conditions arise, the Group may further access the equity and debt capital markets in order to further strengthen its balance sheet.

4.5 Prospects of AAGB and BigLife

Throughout 2020, the Group focused on turning the crisis into an opportunity. We accelerated our digital transformation strategy to boost our non-airline contributions to the Group. We have also used the downtime to not only set the right foundations and platforms in place as a leaner and optimised airline operations to recover faster than many of our competitors, but also will return stronger than ever. Our Group has reviewed every aspect of our operations and made great strides in establishing a leaner and more optimised airline operation as we prepare for an expected surge in demand post-pandemic as a result of pent-up travel demand. Even if borders remain closed, the Group is well-prepared to rely solely on domestic operations alone this year. We remain focused and committed to further strengthen our domestic position at this juncture as we await developments with regards to international air travel. Going forward, we expect to see improved stability and cautious growth in our operations as vaccinations continue to be rolled out in phases across all key markets coupled with better education and testing, alongside strong support for leisure travel bubbles among low risk countries and territories, and the push for global digital health passports.

The Group has accelerated its plan in the post-COVID-19 world, with the rebranded and relaunched airasia.com into a leading all-in-one ASEAN digital travel and lifestyle super app in the 4th quarter of 2020.

The Group's aim is for airasia super app to be an ASEAN super app, as it believes its strength is in ASEAN. This will also enable it to complement other established regional apps, such as Grab and Gojek, rather than act as a direct competitor. The Group intends to provide an ASEAN product and to serve the market, instead of being dominant in one country. Marking a new era for AAGB, the airasia ASEAN super app provides a simpler, faster and more convenient user experience with over 15 types of products and services under three main pillars, which are travel, e-commerce and fintech.

Previously known as RedBeat Ventures Sdn Bhd upon launch in 2018, AirAsia Digital leverages the Group's physical and digital assets to create an ecosystem of businesses that connect with its customers in their everyday life. The product offerings under AirAsia Digital includes, but are not limited to, the following:

- (i) airasia super app, the Group's all-in-one digital lifestyle platform, allowing customers to purchase a range of travel and lifestyle products on a single platform, covering travel (flights, hotels, SNAP, activities, ancillary products, health, etc.), e-commerce (AirAsia Shop, AirAsia Food, AirAsia Fresh) and finance (BigPay, Big Rewards, Big Xchange, Insurance, etc.);
- (ii) Teleport, the Group's tech-driven cross-border logistics solution which includes first mile and last mile deliveries serving business to business, business to consumers and consumers to consumers, customers, as well as the food businesses under the Group's ecommerce division. Despite being impacted by the decline in cargo capacity due to closed borders, Teleport recorded a positive EBITDA of RM17 million in the 4th quarter of 2020;
- (iii) BigPay, which currently offers payment solutions and remittances, as well as lending solutions in the near future;
- (iv) BigLife (newly rebranded to Big Rewards), the rewards and points company which allows its members in ASEAN region to earn and burn points from various merchants. In 2021, BigLife aims for an improved positive cash flow as it further drives and reinforces the positioning of Big Points as a universal currency; and

- (v) Santan, which provides an agro-food ecosystem leveraging on AirAsia's recognised food brand technology and logistics capabilities, comprising in-flight & franchise restaurants, central production & cloud kitchen and a farm-to-table platform business and cloud kitchen.

Last year, BigLife celebrated its 10th year milestone by launching several products, which includes Big Deals to enable members to redeem a variety of lifestyle deals using Big Points, and Big Xchange, which offers members the freedom to convert their desired points instantly on a single platform. In 2021, BigLife will focus on improving customer experience with innovative product offerings and driving better member engagement with enriched data. The key drivers for business growth and transformation for BigLife this year would be Big Points payment and Big Xchange 2.0.

(Source: Management of AAGB)

5. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risks pursuant to the Proposed Acquisition except for the inherent risk factors associated with the loyalty management market, of which the Group is already involved in, and will be addressed as part of the Group's ordinary course of business. Additional potential risks that may have an impact on the AAGB Group, which may not be exhaustive pertaining to the Proposed Acquisition are set out below:

5.1 Completion risks

The Completion of the Proposed Acquisition is conditional upon the Conditions being satisfied. There can be no assurance that such Conditions will be satisfied within the timeframe stipulated in the SSPA. In the event that the Conditions are not satisfied or waived within the stipulated timeframe (in accordance with the SSPA), the SSPA shall lapse and the Proposed Acquisition will not be completed.

To mitigate the aforementioned completion risks, the Company will take reasonable steps to procure the fulfilment of the Conditions within the stipulated timeframe.

5.2 Acquisition risk

The Proposed Acquisition is in line with the Group's emphasis on its digital transformation of the Group's subsidiaries into an all-in-one digital travel and lifestyle ecosystem anchored by the airasia super app platform and to drive greater synergies within the Group, with greater value to be realised upon recovery from the COVID-19 pandemic, as stated in Section 3 of this announcement. However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that AAGB will be able to generate sufficient revenue and earnings to offset the associated acquisition costs incurred. As such, there is also no assurance that the Proposed Acquisition will enable the Group to improve its financial performance and the duration required for AAGB to recoup its investment could be longer than anticipated.

Nevertheless, the Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition. The Board believes that the Proposed Acquisition will be value accretive to the Group in the medium to long term after taking into consideration the prospects of BigLife as set out in Section 4.5 above.

5.3 BigLife's operations may be affected by the COVID-19 pandemic

The outbreak of COVID-19 across the world has brought about uncertainty to the economies of the countries which have been affected. There is no assurance that there will not be any direct or indirect impact on the BigLife's operations as a result of any outbreak, exacerbation, continuance or recurrence of COVID-19.

If any employees of BigLife are affected and are unable to duly execute their duties, this may have a material adverse impact on BigLife's operations and financial performance. Consequently, BigLife will continue to practice safety measures to contain and prevent the spread of COVID-19 to ensure the safety and well-being of its employees.

Furthermore, BigLife will take the necessary steps to adapt and address the impact of the ongoing COVID-19 pandemic. The extent to which COVID-19 impacts the results of BigLife will depend on the future developments on COVID-19, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions by the Company to contain COVID-19 or treat its impact, among others.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital

The pro forma effects of the Proposed Acquisition on the share capital of AAGB are as follows:

	No. of AAGB Shares ('000)	Share capital RM'000
Issued share capital as at the LPD ⁽¹⁾	3,812,188	8,359,732
Consideration Shares to be issued pursuant to the Proposed Acquisition	85,865	⁽²⁾ 103,037
Enlarged share capital	3,898,053	⁽³⁾8,462,770

Notes:

(1) 470,214,214 AAGB Shares ("**Placement Shares**") were issued pursuant to the private placement of up to 20% of the total number of issued shares of AAGB as announced on 21 January 2021 ("**Private Placement**") and assuming that there are no further Placement Shares issued

(2) Computed based on the Issue Price of RM1.20 per Consideration Share

(3) Does not add up due to rounding differences

The Consideration Shares to be issued amount to approximately 2.25% of the existing total issued shares of AAGB as at the LPD and 2.20% of the enlarged share capital of AAGB after Completion.

6.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition on the shareholdings of the substantial shareholders of AAGB are set out below:

Substantial shareholders	As at the LPD ⁽¹⁾				After the Proposed Acquisition ⁽³⁾			
	Direct		Indirect		Direct		Indirect	
	No. of AAGB Shares	%	No. of AAGB Shares	%	No. of AAGB Shares	⁽³⁾ %	No. of AAGB Shares	⁽³⁾ %
Tune Live Sdn Bhd	509,000,000	13.35	-	-	509,000,000	13.06	-	-
Tune Air Sdn Bhd	516,485,082	13.55	-	-	516,485,082	13.25	-	-
Tan Sri Anthony Francis Fernandes	1,600,000	0.04	⁽²⁾ 1,025,485,082	26.90	1,600,000	0.04	⁽²⁾ 1,025,485,082	26.31
Datuk Kamarudin bin Meranun	2,000,000	0.05	⁽²⁾ 1,025,485,082	26.90	2,000,000	0.05	⁽²⁾ 1,025,485,082	26.31
Positive Boom Limited	332,498,504	8.72	-	-	332,498,504	8.53	-	-
Stanley Choi Chiu Fai	-	-	⁽⁴⁾ 332,498,504	8.72	-	-	⁽⁴⁾ 332,498,504	8.53

Notes:

- (1) 470,214,214 Placement Shares are issued pursuant to the Private Placement and assuming that there are no further Placement Shares issued
- (2) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Tune Live Sdn Bhd and Tune Air Sdn Bhd
- (3) Computed based on the enlarged share capital of 3,898,052,879 AAGB Shares after the Proposed Acquisition
- (4) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Positive Boom Limited

6.3 Net assets (“NA”) per AAGB Share and gearing

For illustrative purposes only, based on the latest audited consolidated financial statements of AAGB as at the FYE 31 December 2019, the proforma effects of the Proposed Acquisition on the consolidated net assets and gearing of AAGB are as follows:

	Audited FYE 31 December 2019 RM'000	After the implementation of the Private Placement⁽¹⁾ RM'000	After the Proposed Acquisition RM'000
Share capital	8,023,268	8,359,732	⁽²⁾ 8,462,770
Merger deficit	(5,507,594)	(5,507,594)	(5,507,594)
Foreign exchange reserve	171,137	171,137	171,137
Retained earnings	1,664,452	⁽³⁾ 1,658,784	⁽⁴⁾ 1,592,450
Other reserves	147,067	147,067	147,067
Shareholders' equity/NA	4,498,330	4,829,126	4,865,830
No. of AAGB Shares in issue ('000)	3,341,974	3,812,188	3,898,053
NA per Share (RM)	1.35	1.27	1.25
Total borrowings and lease liabilities	12,888,667	12,888,667	12,888,667
Gearing (times)	2.87	2.67	2.65

Notes:

- (1) 470,214,214 Placement Shares were issued pursuant to the Private Placement and assuming that there are no further Placement Shares issued
- (2) Assuming all of the Consideration Shares are issued at RM1.20 per Consideration Share
- (3) After deducting the estimated expenses in relation to the Private Placement of RM5.67 million
- (4) After adjusting for the following:-
 - (a) deducting the estimated expenses for Proposed Acquisition of approximately RM800,000;
 - (b) effects on the difference between the NA of BigLife Group as compared to the purchase consideration of RM103,037,500 pursuant to the Proposed Acquisition; and;
 - (c) recognition of BigLife Group's non-controlling interest in prior years as part of the equity attributable to owners of AAGB pursuant to the Proposed Acquisition.

6.4 Earnings and earnings per AAGB Share

Upon Completion, BigLife will become a wholly owned subsidiary of AAGB and accordingly, AAGB will consolidate in full any future earnings/losses of BigLife. For illustration purposes, assuming the Proposed Acquisition had been completed at the beginning of the FYE 31 December 2019, the pro forma effects of the Proposed Acquisition on the consolidated LAT and Loss per Share (“LPS”) of AAGB is as follows:

	Audited FYE 31 December 2019 RM'000	After the implementation of the Private Placement ⁽¹⁾ RM'000	After the Proposed Acquisition RM'000
LAT attributable to the equity owners of AAGB	(315,807)	⁽²⁾ (321,475)	⁽³⁾ (290,372)
No. of AAGB Shares in issue ('000)	3,341,974	3,812,188	3,898,053
(LPS) (sen)	(9.4)	(8.4)	(7.4)

Notes:

- (1) 470,214,214 Placement Shares were issued pursuant to the Private Placement and assuming that there are no further Placement Shares issued
- (2) After deducting the estimated expenses in relation to the Private Placement of RM5.67 million
- (3) After including the earnings contribution of the BigLife Group for the FYE 31 December 2020 as well as taking into consideration the estimated expenses to be incurred for the Proposed Acquisition of approximately RM800,000.

6.5 Convertible securities

As at the LPD, AAGB does not have any convertible securities in issue.

7. HIGHEST PERCENTAGE RATIO

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities, the highest percentage ratio applicable to the Proposed Acquisition is 2.74%, derived from the Purchase Consideration against the latest market value of all ordinary shares of AAGB.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained from:

- (i) Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;
- (ii) the shareholders of AAGB for the issuance of the Consideration Shares pursuant to the Proposed Acquisition at an Extraordinary General Meeting to be convened; and
- (iii) any other relevant regulatory authorities/parties, if required.

9. INTER-CONDITIONALITY OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any other corporate exercise of the Company.

10. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders, chief executive of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

11. DIRECTORS' STATEMENT

The Board, having considered all aspects of Proposed Acquisition, including the rationale for and the effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

12. ADVISER

RHB Investment Bank has been appointed as the Principal Adviser for the Proposed Acquisition.

13. EXPECTED TIME FRAME FOR APPLICATION TO THE RELEVANT AUTHORITIES AND COMPLETION

Barring any unforeseen circumstances, the application to Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities is expected to be made within two (2) months from the date of this announcement.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed Acquisition is expected to be completed by the 2nd quarter of 2021.

14. DOCUMENTS AVAILABLE FOR INSPECTIONS

A copy of the SSPA and the valuation letter from Deloitte in respect of the Proposed Acquisition is available for inspection at the registered office of AAGB at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2), 64000 KLIA, Selangor Darul Ehsan, Malaysia, during regular office hours from Monday to Friday (excluding public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 14 April 2021.