

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

- (I) **PROPOSED ACQUISITION OF 100.0% OF THE EQUITY INTEREST IN VELOX TECHNOLOGY (THAILAND) CO. LTD. BY AIRASIA ADS SDN BHD (“AIRASIA SUPERAPP”), AN INDIRECT SUBSIDIARY OF AAGB, FOR A PURCHASE CONSIDERATION OF USD40.0 MILLION; AND**
- (II) **PROPOSED ACQUISITION OF 100.0% OF THE EQUITY INTEREST IN VELOX FINTECH CO. LTD. BY AIRASIA DIGITAL SDN BHD (FORMERLY KNOWN AS REDBEAT VENTURES SDN BHD) (“AAD”), A WHOLLY-OWNED SUBSIDIARY OF AAGB, FOR A PURCHASE CONSIDERATION OF USD10.0 MILLION,**

COLLECTIVELY “PROPOSED ACQUISITIONS”.

For the purpose of this Announcement, “USD” refers to United States Dollars and “RM” refers to Ringgit Malaysia. Unless otherwise stated, the exchange rate of USD1.00:RM4.1565, THB100 : RM12.9405 which are the middle rate quoted by Bank Negara Malaysia at 5.00 p.m. on 5 July 2021, being the latest practicable date (“LPD”) prior to the execution of the Agreements (as defined herein), has been applied to the figures included in this announcement.

1 INTRODUCTION

The Board of Directors of AAGB (“**Board**”) wishes to announce that AAD and AirAsia SuperApp had on 7 July 2021, entered into the following agreements for (a) the proposed acquisition of 100.0% of the equity interest in Velox Technology (Thailand) Co. Ltd. (“**Velox Technology**” or “**VT**”) for a purchase consideration of USD40.0 million (approximately to RM166,260,000) (“**VT Consideration**”) from Velox South-East Asia Holdings Pte. Ltd (“**VSEA**”), Go-jek Singapore Pte. Ltd. and Velox Technology South-East Asia (“**VT Sellers**”) (“**Proposed VT Acquisition**”); and (b) the proposed acquisition of 100.0% of the equity interest in Velox Fintech Co. Ltd. (“**Velox Fintech**” or “**VF**”) for a purchase consideration of USD10.0 million (approximately to RM41,565,000) (“**VF Consideration**”) from Velox Pay South-East Asia Holdings Pte. Ltd. (“**VPSEA**” or “**Velox Pay**”), Go-jek Singapore Pte. Ltd. and Velox Technology South-East Asia Pte. Ltd. (“**VF Sellers**”, and together with the VT Sellers, the “**Sellers**”) (“**Proposed VF Acquisition**”). The VT Consideration and the VF Consideration are referred to as “**Purchase Considerations**”.

- (i) a sale and purchase agreement entered into between VT Sellers, AirAsia SuperApp, AAD, Teh Mun Hui and Pattra Boosarawongse in relation to the VT Acquisition (“**VT SPA**”);
- (ii) a sale and purchase agreement entered into between VF Sellers, AAD, Aireen Omar and Pattra Boosarawongse in relation to the VF Acquisition (“**VF SPA**”);
- (iii) a share subscription agreement relating to the subscription for shares in AirAsia SuperApp between Velox South-East Asia Holdings Pte. Ltd, AAD and AirAsia Superapp (“**AirAsia SuperApp SSA**”),

(the above agreements are collectively referred to as the “**Agreements**”).

The Purchase Considerations for the Proposed Acquisitions shall be wholly satisfied by the issue of shares in the issued share capital of AirAsia SuperApp, whereby VT Sellers (or one of their affiliates) will subscribe for such number of ordinary shares in AirAsia SuperApp which will represent 4.76% (being 3.81% in respect of the Proposed VT Acquisition and 0.95% in respect of the Proposed VF Acquisition) of the total issued share capital of AirAsia SuperApp (“**Consideration Shares**”).

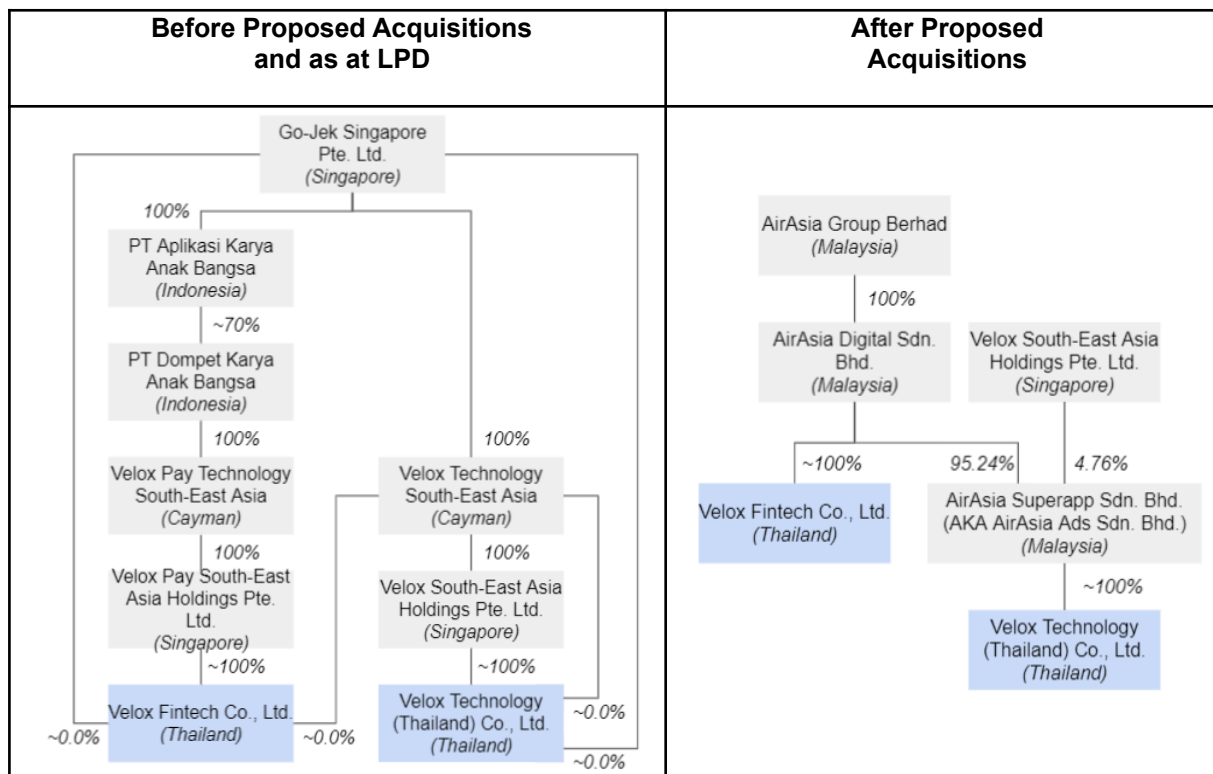
2 DETAILS OF THE PROPOSED ACQUISITIONS

2.1 PROPOSED VT ACQUISITION

- 2.1.1 The Proposed VT Acquisition entails the acquisition of 100.0% of the equity interest in Velox Technology for a purchase consideration of USD40.0 million (approximately RM166,260,000).
- 2.1.2 The shareholders of Velox Technology before and after the Proposed VT Acquisition is provided at the end of Section 2.2.
- 2.1.3 The Proposed VT Acquisition is subject to the terms and conditions set out in the Agreements, the salient terms and conditions of which are set out in Section 2.6 of this Announcement.

2.2 PROPOSED VF ACQUISITION

- 2.2.1 The Proposed VF Acquisition entails the acquisition of 100.0% of the equity interest in Velox Fintech for the consideration of USD10.0 million (approximately RM41,565,000).
- 2.2.2 The shareholders of Velox Fintech before and after the Proposed Acquisitions is provided at the end of Section 2.2.
- 2.2.3 The Proposed VF Acquisition is subject to the terms and conditions set out in the Agreements, the salient terms and conditions of which are set out in Section 2.6 of this Announcement.



2.3 INFORMATION ON VELOX TECHNOLOGY

- 2.3.1 Velox Technology was incorporated in the Kingdom of Thailand on 17 April 2018.
- 2.3.2 Velox Technology is principally involved in the provision of mobile applications to connect individual drivers, merchants and other service providers with registered users who request services.
- 2.3.3 As at LPD, the directors of Velox Technology are as follows:
(a) Mr. Thomas Kristian Husted,
(b) Mr. Pablo Malay, and
(c) Mr. Ohm Ammaramorn.
- 2.3.4 As at LPD, the shareholders of Velox Technology and their respective shareholdings (direct and indirect) in Velox Technology are as follows:

Shareholders	Number of Velox Technology Shares	%
Velox South-East Asia Holdings Pte. Ltd.	1,213,876	99.99
Go-Jek Singapore Pte. Ltd.	1	0.005
Velox Technology South-East Asia (Cayman)	1	0.005
Total	1,213,878	100.0

- 2.3.5 A summary of the financial information of Velox Technology for the financial year ended (“FYE”) 31 December 2019 to 31 December 2020 is set out below:

	Audited	
	FYE 31 December	
	2019	2020
	THB'000	THB'000
Revenue	1	235,665
Net Loss	(2,353)	(565,328)
Share Capital	500	769,868
Shareholders'(deficit)/fund	(1,998)	202,042
No of Shares	2,000	769,868
Net (liabilities)/assets per Velox Technology Share (THB)	(999)	262
Current ratio (times)	0.095	1.561

2.4 INFORMATION ON VELOX FINTECH

2.4.1 Velox Fintech was incorporated in the Kingdom of Thailand on 17 April 2018.

2.4.2 Velox Fintech is principally involved in provision of the following types of business:-
(a) provision of electronic money service;
(b) provision of electronic bill payment services; and
(c) provision of electronic money transfer service, as licensed by the Bank of Thailand.

2.4.3 As at LPD, the directors of Velox Fintech are as follows:

- (a) Mr. Thomas Kristian Husted;
- (b) Mr. Pablo Malay; and
- (c) Mr. Ohm Ammaramorn.

2.4.4 As at LPD, the shareholders of Velox Fintech and their respective shareholdings (direct and indirect) in Velox Fintech are as follows:

Shareholders	Number of Velox Fintech Shares	%
Velox Pay South-East Asia Holdings Pte. Ltd.	146,843	99.99
Go-Jek Singapore Pte. Ltd.	1	0.005
Velox Technology South-East Asia	1	0.005
Total	146,845	100.0

2.4.5 A summary of the financial information of Velox Fintech for the FYE31 December 2019 and 31 December 2020 is set out below:

	Audited	
	FYE 31 December	
	2019	2020
	THB'000	THB'000
Revenue	422	902
Net Loss	(2,074)	(13,672)
Share Capital	110,145	118,545
Shareholders' fund	107,926	102,654
No of Shares	110,145	118,545
Net assets per Velox Fintech Share (THB)	979.85	865.95
Current ratio (times)	41.88	2.50

2.5 INFORMATION ON THE SELLERS

2.5.1 VELOX SOUTH-EAST ASIA HOLDINGS PTE. LTD. (“VSEA”)

2.5.1.1 VSEA was incorporated in Singapore under the laws of Singapore on 2 February 2018 as a private limited company.

2.5.1.2 The principal activity of VSEA is Management Consultancy Services (General) and Holding Company.

2.5.1.3 VSEA is 100% owned by Velox Technology South-East Asia, an Exempted Company incorporated in the Cayman Islands with Limited Liability on 26 October 2017.

2.5.1.4 As at the LPD, the issued share capital of VSEA is (i) S\$10,000,000, comprising 10,000 S\$ ordinary shares; and (ii) US\$450,941,000 comprising 450,941 US\$ ordinary shares.

2.5.1.5 As at the LPD, the directors of VSEA are as follows:

- (a) Mr. Pablo Malay;
- (b) Mr. Thomas Kristian Husted; and
- (c) Mr. Lien Choong Luen (alternate director)

2.5.2 VELOX PAY SOUTH-EAST ASIA HOLDINGS PTE. LTD. (“VPSEA”)

2.5.2.1 VPSEA was incorporated in Singapore under the laws of Singapore on 14 September 2018 as a private limited company.

2.5.2.2 The principal activity of VPSEA is Management Consultancy Services (General) and Holding Company.

2.5.2.3 VPSEA is 100% owned by Velox Pay Technology South-East Asia, an Exempted Company incorporated in the Cayman Islands with Limited Liability on 31 August 2018.

2.5.2.4 As at the LPD, the issued share capital of VPSEA is (i) S\$100,000, comprising 100 S\$ ordinary shares; and (ii) US\$146,627,428.26, comprising 146,629 US\$ ordinary shares.

2.5.2.5 As at the LPD, the directors of VPSEA are as follows:

- (a) Mr. Thomas Kristian Husted;
- (b) Mr. Maurice Simon Wei Ming; and
- (c) Mr. Lien Choong Luen (alternate director)

2.6 SALIENT TERMS OF THE AGREEMENTS

2.6.1 VT SPA

For purposes of this Section, the terms “**VT Buyers**” or “**VT Buyer**” shall mean AirAsia Ads Sdn. Bhd. (“**VT Investor**”), Teh Mun Hui (“**VT Minority Investor 1**”), Pattra Boosarawongse (“**VT Minority Investor 2**”, together with the VT Investor and VT Minority Investor 1, the “**VT Buyers**” and each a “**VT Buyer**”).

Sale and Purchase of the VT Sale Shares

- (a) The VT Sellers agree to sell, and the VT Buyers agree to purchase, 1,213,878 ordinary shares of THB 1,000 each in the capital of VT, comprising 100% of the share capital of VT (“**VT Sale Shares**”), in accordance with the terms of the VT SPA.
- (b) Each VT Seller agrees to sell the VT Sale Shares set out opposite its name in column (2) of the table below to the applicable VT Buyer listed in column (3) of the table below. Each VT Buyer agrees to buy the VT Sale Shares set out opposite its name in

column (2) of the table below from the applicable VT Seller listed in column (1) of the table below.

(1) VT Seller	(2) VT Sale Shares	(3) VT Buyer
VSEA	1,213,876 ordinary shares of THB 1,000 each in the capital of VT	VT Investor
Go-Jek Singapore Pte. Ltd.	1 ordinary share of THB 1,000 each in the capital of VT	VT Minority Investor 1
Velox Technology South-East Asia (Cayman)	1 ordinary share of THB 1,000 each in the capital of VT	VT Minority Investor 2

Consideration

- (a) The aggregate consideration payable by the VT Buyers for the VT Sale Shares shall be:
- (i) an amount equal to the sum of US\$40,000,000, which shall be satisfied in full by the issuance and allotment by the VT Investor to VSEA of such number of ordinary shares representing 3.81% of the total issued share capital of the VT Investor as at completion of the transfer of the VT Sale Shares (“VT Completion”) on a fully-diluted and as-converted basis in accordance with the subscription agreement dated 7 July 2021 (“**Subscription Agreement**”) entered into between VSEA, AAD and the VT Investor (“**VT Share Consideration**”); *plus or minus*
 - (ii) the VT Net Adjustment Amount. The “**VT Net Adjustment Amount**” shall mean the difference between:
 - (1) the net cash amount of VT at VT Completion (“**VT Net Cash**”); and
 - (2) the aggregate of (A) the net debt amount of VT at VT Completion and (B) the costs, fees and expenses incurred by VT during the period commencing on VT Completion up to 31 July 2021 (or such other date as may be extended by the relevant parties) (“**TSA Termination Date**”) in accordance with the terms of the transitional services agreement dated 7 July 2021 (“**TSA**”) entered into between PT Aplikasi Karya Anak Bangsa, VT and the VT Investor (“**VT Total Net Debt**”),

each in accordance with the terms of the VT SPA.
- (b) On the TSA Termination Date:
- (i) if the VT Net Cash amount exceeds the VT Total Net Debt amount, the VT Investor shall pay the VT Net Adjustment Amount to Velox SEA in cash; and
 - (ii) if the VT Total Net Debt amount exceeds the VT Net Cash amount, Velox SEA shall pay the VT Net Adjustment Amount to the VT Investor in cash.

Conditions

- (a) The sale and purchase of the VT Sale Shares is conditional on each of the following conditions (together the "**VT Conditions**" and each a "**VT Condition**") being satisfied, or waived:
- (i) the receipt of written approval or consent of Bank Negara Malaysia having been obtained for the transactions contemplated under the VT SPA, comprising the transfer of the VT Sale Shares and the allotment and issue of the VT Share Consideration, and if such approval, consent or waiver is subject to conditions, such conditions being acceptable to each of Velox SEA and the VT Investor; and
 - (ii) VSEA, AAD and the VT Investor, amongst others, having (1) entered into a shareholders' agreement in relation to the VT Investor ("**Shareholders' Agreement**") and (2) approved the amended and restated constitution of the VT Investor to reflect the terms of the Shareholders' Agreement.
- (b) If the VT Conditions are not satisfied or waived by 30 July 2021, the VT SPA will automatically terminate at 12.00 p.m. on 30 July 2021 with immediate effect, unless otherwise agreed in writing between VSEA and the VT Investor.

VT Completion

Completion of the sale and purchase of the VT Sale Shares shall take place on the date which is the second (2nd) business day after the date on which the final VT Condition is satisfied, or such other date as the parties to the VT SPA may agree in writing.

2.6.2 VF SPA

For purposes of this Section, the terms "**VF Buyers**" or "**VF Buyer**" shall mean AirAsia Digital Sdn. Bhd. (formerly known as RedBeat Ventures Sdn. Bhd.) ("**VF Investor**" or "**AAD**"), Aireen Omar ("**VF Minority Investor 1**") and Pattra Boosarawongse ("**VF Minority Investor 2**", together with the VF Investor and VF Minority Investor 1, the "**VF Buyers**" and each a "**VF Buyer**").

Sale and Purchase of the VF Sale Shares

- (a) The VF Sellers agree to sell, and the VF Buyers agree to purchase, 146,845 ordinary shares of THB 1,000 each in the capital of VF, comprising 100% of the share capital of VF ("**VF Sale Shares**"), in accordance with the terms of the VF SPA.
- (b) Each VF Seller agrees to sell the VF Sale Shares set out opposite its name in column (2) of the table below to the applicable VF Buyer listed in column (3) of the table below. Each VF Buyer agrees to buy the VF Sale Shares set out opposite its name in column (2) of the table below from the applicable VF Seller listed in column (1) of the table below.

(1) VT Seller	(2) VT Sale Shares	(3) VT Buyer
VPSEA	146,843 ordinary shares of THB 1,000 each in the capital of VF	VF Investor
Go-Jek Singapore Pte. Ltd.	1 ordinary share of THB 1,000 each in the capital of VF	VF Minority Investor 1
Velox Technology South-East Asia	1 ordinary share of THB 1,000 each in the capital of VF	VF Minority Investor 2

Consideration

- (a) The aggregate consideration payable by the VF Buyers for the VF Sale Shares shall be:
- (i) an amount equal to the sum of US\$10,000,000, which shall be satisfied in full by the issuance and allotment by AirAsia Superapp to VSEA of such number of ordinary shares representing 0.95% of the total issued share capital of AirAsia SuperApp as at completion of the transfer of the VF Sale Shares ("VF Completion") on a fully-diluted and as-converted basis in accordance with the subscription agreement dated 7 July 2021 ("**Subscription Agreement**") entered into between VSEA, AAD and AirAsia SuperApp ("VF Share Consideration"); *plus or minus*
 - (ii) the VF Net Adjustment Amount. The "**VF Net Adjustment Amount**" shall mean the difference between the net cash amount of VF at VF Completion ("**VF Net Cash**") and the net debt amount of VF at VF Completion ("**VF Net Debt**"), in accordance with the terms of the VF SPA.
- (b) On VF Completion:
- (i) if the VF Net Cash amount exceeds the VF Net Debt amount, the VF Investor shall pay the VF Net Adjustment Amount to Velox Pay in cash; and
 - (ii) if the VF Net Debt amount exceeds the VF Net Cash amount, Velox Pay shall pay the VF Net Adjustment Amount to the VF Investor in cash.

Conditions

- (a) The sale and purchase of the VF Sale Shares is conditional on each of the following conditions (together the "**VF Conditions**" and each a "**VF Condition**") being satisfied, or waived:
- (i) the receipt of written approval or consent of the Bank of Thailand to the transfer of the VF Sale Shares by the VF Sellers to the VF Buyers and the resulting change in control in respect of the relevant designated payment services licence held by VF and if such approval or consent is subject to conditions, such conditions being acceptable to each of Velox Pay and the VF Investor;
 - (ii) the receipt of written approval or consent of Bank Negara Malaysia having been obtained for the transactions contemplated under the VF SPA, comprising the transfer of the VF Sale Shares and the allotment and issue of the VF Share Consideration, and if such approval, consent or waiver is subject to conditions, such conditions being acceptable to each of Velox Pay and the VF Investor; and
 - (iii) VSEA, AAD, AirAsia SuperApp, amongst others, having (1) entered into a shareholders' agreement in relation to AirAsia SuperApp ("**Shareholders' Agreement**") and (2) approved the amended and restated constitution of AirAsia SuperApp to reflect the terms of the Shareholders' Agreement.
- (b) If the VF Conditions are not satisfied or waived by the date that is three (3) months from the date of the VF SPA (unless otherwise agreed in writing between Velox Pay and the VF Investor) ("**Longstop Date**"), the VF SPA will automatically terminate at 12.00 p.m. on the Longstop Date with immediate effect, unless otherwise agreed in writing between Velox Pay and the VF Investor.

VF Completion

Completion of the sale and purchase of the VF Sale Shares shall take place on the date which is the second (2nd) business day after the date on which the final VF Condition is satisfied, or such other date as the parties to the VF SPA may agree in writing.

Termination before Longstop Date

The VF SPA will automatically terminate if the VT SPA terminates by reason of the conditions under the VT SPA not being satisfied by 30 July 2021.

2.6.3 AirAsia SuperApp SSA

Share Subscription and Purchase Consideration

As consideration for the VT Acquisition and the VF Acquisition, AirAsia Superapp has agreed to allot and issue to VSEA, and VSEA has agreed to subscribe for, new ordinary shares representing up to 4.76% of the enlarged share capital of AirAsia Superapp for a purchase consideration of fifty million United States Dollars (USD50,000,000), comprising (a) 3.81% of the enlarged share capital of AirAsia Superapp, in respect of the VT Acquisition ("**VT Tranche Shares**") and (b) 0.95% of the enlarged share capital of AirAsia Superapp, in respect of the VF Acquisition ("**VF Tranche Shares**").

Completion

Completion of the VT Tranche Shares shall take place on completion of the VT Acquisition and completion of the VF Tranche Shares shall take place on completion of the VF Acquisition.

Termination

The AirAsia Superapp SSA shall terminate:

- (a) by mutual agreement of the Parties in writing prior to completion of the VF Acquisition;
- (b) automatically upon the termination of both the VT SPA and the VF SPA; or
- (c) in respect of the terms of the AirAsia Superapp SSA solely relating to the issuance of the VT Tranche Shares, automatically upon the termination of the VT SPA; and
- (d) in respect of the terms of the AirAsia Superapp SSA solely relating to the issuance of the VT Tranche Shares, automatically upon the termination of the VF SPA.

2.7 BASIS OF AND JUSTIFICATION FOR ARRIVING AT THE PURCHASE CONSIDERATIONS

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

- (i) the initial investment amount put in by the Sellers;
- (ii) the rationale and benefits of the Proposed Acquisitions as set out in Section 3 below;

- (iii) historical operating performance and metrics, and the future prospects of VT and VF which includes, amongst others, its key initiative to accelerate AirAsia Superapp's growth in Thailand as set out in Section 3 below.

2.8 SOURCE OF FUNDING

Our Company intends to fund the Purchase Considerations through the issuance and allotment of new ordinary shares of AirAsia SuperApp to the Sellers which will enable our Group to undertake the Proposed Acquisitions 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 our business and working capital requirements and for future potential opportunities to expand our existing businesses.

2.9 LIABILITIES TO BE ASSUMED BY AAGB

Save for the liabilities arising from the ordinary course of business of VT and VF, respectively, our Company will not be assuming any liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisitions.

3 RATIONALE FOR THE PROPOSED ACQUISITIONS

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

- (i) The Proposed Acquisitions provides AirAsia Superapp with immediate access to an existing e-commerce business with registered food merchants, delivery partners, and on-ground resources to jump start AirAsia Superapp's e-commerce business and reduce cost and time to enter the Thailand consumer internet market. Subject to integration and successful migration of users and merchants, AirAsia Superapp would have access to an incremental customer base, which it could cross-sell and up-sell other AirAsia Superapp services to these customers and drive further topline growth for AirAsia Superapp.
- (ii) Furthermore, the Proposed Acquisitions is part of AirAsia Superapp's strategy to expand its footprint in other ASEAN markets. With the growing Thai economy and Thai Government continuous efforts to become an upper-middle income country, there is an increasing awareness to improve the standard of living and develop a strong e-commerce and financial inclusion in Thailand. Based on this, our Company believes that there are strong growth opportunities available in Thailand for the e-commerce and payment space. Our Company acknowledges the importance of moving quickly to this market and believes that the Proposed Acquisitions will provide the AirAsia Group with immediate access to the expanding Thai market.
- (iii) The Proposed VF Acquisition intends to enable the expansion of e-money products for AAD group companies that currently operate e-money products and services. It is anticipated that the speed of deployment in the market will be accelerated by virtue of acquiring the regulatory assets.
- (iv) The Proposed Acquisitions would enable us to promote the superapp platform with lifestyle product offerings, which would further increase the value of AAGB's digital assets thereby strengthening AirAsia Group'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 economy in Thailand

The Thai economy was projected to expand 3.0 percent in 2021, which is lower than the previous assessment. The downward revision to the growth forecast was attributable to the new wave of COVID-19 infections at the beginning of the year and lower foreign tourist figures. Meanwhile, the less restrictive containment measures relative to last year, the additional government measures, and the recovery in merchandise exports in tandem with trading partner economies' growth were key factors supporting Thailand's economic growth. The Thai economy would grow 4.7 percent in 2022, slightly lower than the previous assessment on account of lower government expenditure under the fiscal year 2022 annual budget. Nevertheless, the anticipated rebound in foreign tourist figures on the back of widespread vaccination in Thailand and abroad would support the return of Thailand's GDP to the pre-pandemic level in the second half of 2022.

The Thai economy contracted 4.2 percent in the fourth quarter of 2021 – an improvement from the 6.4 percent contraction in the previous quarter. Private consumption growth turned slightly positive with the support from government measures and the gradual improvement in household purchasing power

Both the short-term and long-term inflation expectations remained within the target range. The short-term (one-year ahead) inflation expectations according to the survey of professional forecasters in March 2021 was 1.1 percent, while inflation expectations based on the survey of businesses in February 2021 was 1.5 percent. The long-term (five-year ahead) inflation expectations based on the survey of professional forecasters in October 2020 was 1.7 percent

(Source: Bank of Thailand - Monetary Policy Report March 2021)

4.2 Overview and outlook of the e-commerce, food delivery service, e-hailing and the payment services market in Thailand

Thailand's internet economy has grown from USD 16 bn in 2019 to USD 18 bn in 2020, showing a steady YoY growth of 7%, and is expected to grow further to USD 53 bn by 2025 at a CAGR of 25%. Thailand's e-commerce and transportation & food sectors are also expected to grow from USD 9 bn to USD 24 bn and USD 1.1 bn to USD 7 bn by 2025 respectively. In addition, the gross transaction value of digital payments across the South East Asia region will reach USD 1.2 tn by 2025.

(Source: Google, Temasek, Bain & Company - e-Conomy SEA 2020)

4.3 Prospects of Velox Technology and Velox Fintech

Thailand has been experiencing an e-commerce boom over the last 5 years which has been bolstered by rapid development of technology and ongoing government initiatives to become a digital economy. Further, with the increasing number of Thai nationalities having access to the internet and up to 90% of the population expected to have access to the internet, the local e-commerce industry will likely see growth. Premised on the abovementioned prospects of the Thai economy and increasing support by the Bank of Thailand towards payment service providers to boost Thai's e-commerce sector, both Velox Technology and Velox Fintech, are poised to undertake the increasing growth opportunities at hand.

4.4 Impact of COVID-19 on AAGB

The COVID-19 pandemic has been declared a global health pandemic by the World Health Organisation. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, testing regimes, closing of borders, “stay at home” orders and business closures. In addition, the resurgence of COVID-19 cases in the respective countries have prompted the governments to impose domestic and international travel restrictions and these restrictions are hindering the recovery of demand for air travel. As a result, our Group has experienced an unprecedented decline in the demand for air travel, which resulted in a material deterioration in our Group’s revenues and cash flows, as well as impairment of financial and non-financial assets.

Arising from the COVID-19 pandemic, our Group has implemented several measures to weather through this current challenging time. These efforts are on-going as our Group continues to seek support from vendors and business partners to address our cash flow requirements.

In 2020, our Group laid the right foundations as leaner and more optimised airline operations, which paid off with lower cost and cash burn QoQ in the first quarter of 2021. This was despite starting 2021 with international borders remaining closed and further domestic travel restrictions put into place as many countries experienced its third wave of the COVID-19 pandemic.

In the first quarter of 2021, our cost containment measures continued to support liquidity, with fixed costs reduced 54% and are on a QoQ downtrend since COVID-19 hit a year ago. Further, airline staff cost reduced 62% YoY and another 16% QoQ due to headcount rationalisation and attrition. Our Group has restructured our fuel hedges with supportive counterparties, with no more fuel hedging losses from the second quarter of 2021 onwards. Our Group has also received continued support from lessors and banks for deferrals, as seen in the 80% YoY reduction in repayment of borrowings and lease liabilities in the first quarter of 2021.

Concurrently, our digital arm continues to gain traction, with AirAsia Digital contributing 39% to our Group revenue in the first quarter of 2021, compared to 8% the year before. Our airasia super app reported strong YoY revenue growth of 45%. BigPay earnings before interest, tax, depreciation and amortisation narrowed to 38% YoY as costs were reduced by 33% during the quarter. Meanwhile, Teleport revenue tripled QoQ in the first quarter of 2021 as there were more charter flights especially to China, India and Thailand.

Our aircraft operating certificates (“**AOCs**”) experienced slower operations in the early start of 2021 due to rising COVID-19 cases in our operating markets. However, as vaccine rollout accelerated within the ASEAN region, the number of passengers carried in March 2021 improved month-on-month compared to February 2021.

AirAsia Indonesia operated close to 70% of pre-COVID-19 domestic capacity in the first quarter of 2021, demonstrating strong signs of recovery. The drop in January 2021 month-on-month was due to the low travel season combined with the government’s tighter restrictions on travel. AirAsia Thailand managed to resume all domestic routes by the end of March 2021. However, it is being impacted by the third COVID-19 wave that began in early April 2021. Meanwhile, our recovery in Malaysia remains subdued due to the lockdown imposed since early January 2021. Our Group expects domestic operations in Malaysia and Philippines to be sub-25% of pre-COVID-19 levels until September 2021 while more people are vaccinated.

Nonetheless, the management remains confident in our ability to recover quickly and strongly due to pent-up demand. Our observation shows that whenever there is a relaxation in

domestic travel, there would be a significant spike in spontaneous travel resulting in an increase in forward bookings.

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

Our Company has undertaken the following measures to improve our financial performance and strengthen our financial position:

- (i) Reduced our 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. Further to working capital management, our Group has also significantly reduced our cash burn rate through various cost containment and optimisation exercises during FYE 2020. This has resulted in fixed costs reduction of 54% in the first quarter of 2021;
- (ii) Focused on ensuring our liquidity and capital adequacy. As at 31 December 2020, our Group has secured term loans and revolving credits of RM300 million from a financial institution, sale and leaseback of 7 engines which raised approximately RM400 million and disposed of 33% equity interest in AirAsia India which raised RM152.9 million. Subsequent to FYE 2020, our Group has completed 2 tranches of Private Placement of approximately 470.2 million AAGB Shares, raising total proceeds of approximately RM336.5 million. Further, our Group's application of funding under the Danajamin PRIHATIN Guarantee Scheme which amounts up to RM1 billion with relevant financial institutions is in its advanced stages. There has also been positive ongoing discussions for raising new capital by our subsidiaries in the Philippines and Indonesia to tide over this challenging period;
- (iii) Continue to grow our Group's digital pillar which brings together all our digital businesses. Our business of the digital pillar is envisaged to cover e-commerce, logistics and finance across the ASEAN region through the Group's super app and will leverage on the extensive reach of the app and its low customer acquisition cost; and
- (iv) Implement continuous flight capacity and network revenue management in response to global travel restrictions and the current progressive uplifting of travel restriction by the respective countries. This can be seen through active fleet management, with management making timely decisions to either reinstate flights or hibernate the fleet as and when necessary. The capacity of the flights moves in tandem with local regulatory requirements and developments of the active COVID-19 cases of the corresponding flight destinations. Our Group consistently monitors the route profitability and concentrates our recovery on the most profitable and popular routes. Due to this uncertainty, our Group had and will continue to adjust future available capacity to match observed booking trends for future travel to optimise the load factors of each flight.

In the longer term, all aspects of our Group's business model will be re-evaluated. The management team will recommend to our Board the optimum capital structure and operational strategy of our Group to meet the air travel needs of our customers while keeping our Group's financial status at a healthy level and meeting our 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.

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

5 RISKS FACTORS

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

5.1 Completion risk

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

5.2 Acquisition risk

The Proposed Acquisitions are 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 Superapp 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 Acquisitions 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 Acquisitions. The Board believes that the Proposed Acquisitions will be value accretive to the Group in the medium to long term after taking into consideration the prospects of AirAsia Superapp as set out in Section 4.3 above.

5.3 User, merchant and driver attrition risk

AirAsia Superapp will have to migrate all customer, merchant, rider and other information from Gojek platform quickly. This gives rise to user, merchant and driver attrition risk. However, AirAsia Superapp will implement aggressive users and merchants acquisition and retention initiatives to minimise the attrition during the first six months of operations. In addition, AirAsia Superapp will convert existing databases from its travel vertical as first time users for the ecommerce vertical.

5.4 Impairment risk

The Purchase Considerations may give rise to the recognition of goodwill and/or intangible assets, being the difference between the Purchase Considerations and the fair value of the identifiable assets and liabilities of VT and VF. The amount of goodwill and/or intangible assets that may arise will be accounted for in the financial statements of AAGB upon completion of the Proposed Acquisitions. The goodwill and/or intangible assets, if any, will be subjected to periodic impairment testing and any downward adjustment to the goodwill and/or intangible assets will affect the financial position and results of AAGB.

5.5 VT & VF 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 VT's and VF's operations as a result of any outbreak, exacerbation, continuance or recurrence of COVID-19.

If any employees of VT or VF are affected and are unable to duly execute their duties, this may have a material adverse impact on VT's and VF's operations and financial performance. Consequently, VT and VF 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, VT and VF 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 VT and VF 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 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS

The Proposed Acquisition is not expected to have any effects on the issued share capital and substantial shareholders' shareholdings of AAGB as the Proposed Acquisition is to be wholly satisfied by the Consideration Shares.

6.1 Net assets ("NA") per AAGB Share and gearing

For illustrative purposes only, based on the latest audited consolidated financial statements of AAGB as at FYE 31 December 2020, the proforma effects of the Proposed Acquisitions on the consolidated NA per share and gearing of AAGB are as follows:

	Audited FYE 31 Dec 2020	Adjustments to LPD ⁽¹⁾	Adjusted	Proposed Acquisitions	After the Proposed Acquisitions
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	8,023,268	439,502	8,462,770		8,462,770
Merger deficit	(5,507,594)		(5,507,594)		(5,507,594)
Foreign exchange reserve	(57,378)		(57,378)		(57,378)
(Accumulated losses)	(3,447,215)	(117,212)	(3,564,427)	(7,333)	(3,571,760)
Other reserves	(225,368)		(225,368)		(225,368)
Shareholders' (deficit)/ funds	(1,214,287)		(891,997)	(7,333)	(899,330)
No. of AAGB shares in issue ('000)	3,341,974		3,341,974	-	3,341,974
NA per share (RM)	(0.36)		(0.27)		(0.27)
Total borrowings and lease liabilities	13,724,109		13,724,109		13,724,109
Gearing (times) ⁽²⁾	N/A		N/A		N/A

Notes

- (1) Adjustment for share placement completed on 19 February 2021 and 17 March 2021 and acquisition of remainder 20% of BigLife approved by shareholders on 21 June 2021
- (2) During the FYE 31 December 2020, our Group's operations were significantly affected by the Covid-19 pandemic which led to operating losses. This has resulted in a negative gearing ratio as our Group has been relying on debt compared to equity to finance our Group's operations.

6.2 Earnings and earnings per AAGB Share

The Proposed Acquisitions will not have any immediate effect on the consolidated earnings and EPS of AAGB for FY2021. However, the Proposed Acquisitions are expected to contribute positively to the future earnings of AAGB.

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 Acquisitions are 6.1%, derived from the Purchase Considerations against the market capitalisation of AAGB as at LPD.

8. APPROVALS REQUIRED

- 8.1 The Proposed Acquisitions are subject to the approval from Bank Negara Malaysia and Bank of Thailand.
- 8.2 The Proposed Acquisitions are not subject to the approval of the shareholders of AAGB and/or any other authorities.
- 8.3 The Proposed Acquisitions are not conditional upon other corporate proposals undertaken or to be undertaken by AAGB.

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

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

10 DIRECTORS' STATEMENT

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

11 ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED ACQUISITIONS

Barring any unforeseen circumstances, the Proposed Acquisitions are expected to be completed by the fourth quarter of 2021.

12 DOCUMENTS AVAILABLE FOR INSPECTIONS

A copy of the Agreements in respect of the Proposed Acquisitions are 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 7 July 2021.