THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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AIRASIA GROUP BERHAD

[Registration No. 201701030323 (1244493-V)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

PROPOSED ESTABLISHMENT OF A LONG TERM INCENTIVE SCHEME OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF AIRASIA GROUP BERHAD (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME FOR ELIGIBLE EMPLOYEES AND DIRECTORS OF AIRASIA GROUP BERHAD AND ITS SUBSIDIARIES (EXCLUDING DORMANT SUBSIDIARIES) ("PROPOSED LTIS")

PART B

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

RHB Investment Bank Berhad
(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Proposed LTIS and the Proposed Acquisition will be tabled at AirAsia Group Berhad's Extraordinary General Meeting ("**EGM**") which will be conducted as a fully virtual meeting via live streaming and online remote voting on the online meeting platform of TIIH Online via its website at https://tiih.online on Monday, 21 June 2021 at 2.00 p.m.. The Notice of the EGM together with the Form of Proxy are set out in this Circular.

You are entitled to attend and vote at our EGM or appoint proxy(ies) to vote for and on your behalf. In such event, the Form of Proxy should be completed and lodged at our registered office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia or electronically lodged with the poll administrator via TIIH Online website at https://tiih.online not later than forty-eight (48) hours before the date and time fixed for our EGM or any adjournment thereof. Please refer to the Administrative Note for the EGM on the procedures for electronic lodgement of the Form of Proxy. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so but if you do so, your proxy shall be precluded from attending the EGM.

Last date and time for lodging the Form of Proxy…....................	:	Saturday, 19 June 2021 at 2.00 p.m.
Date and time of the EGM	:	Monday, 21 June 2021 at 2.00 p.m.

This Circular is dated 4 June 2021

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THE EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE SALIENT INFORMATION OF THE PROPOSALS. THE SHAREHOLDERS OF AAGB ARE ADVISED TO READ THE CIRCULAR IN ITS ENTIRETY (PART A AND PART B) FOR FURTHER DETAILS AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSALS BEFORE VOTING AT THE EGM. THE CAPITALISED TERMS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THOSE DEFINED IN THE RESPECTIVE DEFINITIONS SECTION OF PART A AND PART B UNLESS OTHERWISE STATED.

PART A: PROPOSED LTIS

Key information	Description	Reference to Part A of the Circular
Details of the Proposed LTIS	• The Proposed LTIS shall not exceed 10% of the total number of issued shares of our Company (excluding treasury shares, if any) at any point in time throughout the duration of the Proposed LTIS. • The Proposed LTIS will be administered by our LTIS Committee in such manner it shall in its discretion deem fit, in accordance with the provisions set out in the By-Laws. • The Proposed LTIS comprises the following: (i) Proposed ESOS The Proposed ESOS involves the granting of ESOS Options to Eligible Persons to subscribe for new AAGB Shares at a pre-determined specified Exercise Price, subject to the terms and conditions of the By-Laws. The Proposed ESOS will not be extended to non-executive Directors of our Group. (ii) Proposed SGS The Proposed SGS involves the granting of SGS Awards to Eligible Persons subject to certain conditions as may be determined by our LTIS Committee, in accordance with the By-Laws. These conditions may include certain performance conditions as set out in AAGB's annual bonus scheme, or any other performance conditions as may be determined by our LTIS Committee from time to time.	Section 2

Key information	Description	Reference to Part A of the Circular
Utilisation of proceeds from the Proposed LTIS	• Our Company will receive proceeds from the exercise of the ESOS Options. The proceeds will be utilised for, amongst others, our Group's working capital purposes. • The amount of proceeds to be received cannot be determined at this juncture as it will depend on, amongst others, the number of ESOS Options granted and exercised and the Exercise Price. • Our Company will not receive proceeds from the granting of SGS Awards as the SGS Grantees will not be required to pay for the new AAGB Shares to be issued to them.	Section 3
Rationale for the Proposed LTIS	• The Proposed LTIS is intended to achieve the objectives set out below: (i) to align the motivation of the Eligible Persons to the corporate goals of our Group and our shareholders' interests; (ii) to pay competitively in the market to attract the best talent to drive the transformation of our Company; (iii) to retain and reward based on performance to create a high performance culture; (iv) to drive long-term shareholder value creation; (v) to compensate through shares, in lieu of cash bonuses to some extent, thereby saving cost in the short term; (vi) to ensure that the Eligible Persons will stand to benefit only if AAGB Share price reaches a certain threshold, hence, ensuring its shareholders' interests are protected; and (vii) to ensure that the leadership of all our Group's companies strive towards collaboration and creating synergies between the various lines of businesses to maximise shareholder value.	Section 4

Key information	Description	Reference to Part A of the Circular
Effects of the Proposed LTIS	• The effects of the Proposed LTIS are as follows: (i) no immediate effect on the existing issued share capital of our Company; (ii) no immediate effect on the consolidated NA, NA per Share and gearing of our Company; (iii) no immediate effect on the consolidated earnings and EPS of our Company; and (iv) no immediate effect on the shareholdings of the substantial shareholders of our Company; until such time the ESOS Options are granted and exercised and/or SGS Awards are vested.	Section 8
Approvals required	• The Proposed LTIS is subject to the following approvals being obtained: (i) Bursa Securities, which has been obtained on 24 May 2021; (ii) our shareholders at our forthcoming EGM; and (iii) any other relevant authority or party, if required.	Section 9
Conditionality	• The Proposed LTIS is not conditional upon any other corporate exercise of our Company.	Section 9
Interests of directors, major shareholders, chief executive and/or persons connected with them	• None of our directors, major shareholders, chief executive and/or persons connected with them have any interest, direct or indirect, in the Proposed LTIS as our Company currently does not have any plans to allocate any LTIS Awards to the directors and/or persons connected with them.	Section 10
Board's recommendation	• Our Board, having considered all aspects of the Proposed LTIS, including the rationale for and the effects of the Proposed LTIS, is of the opinion that the Proposed LTIS is in the best interest of our Company. • Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed LTIS at our forthcoming EGM.	Section 13

PART B: PROPOSED ACQUISITION

Key information	Description	Reference to Part B of the Circular
Details of the Proposed Acquisition	• The Proposed Acquisition involves the acquisition of the remaining 1,665,000 BIGLIFE Shares, representing 20.00% equity interest in BIGLIFE, not already held by AirAsia Digital, a wholly owned subsidiary of AAGB, for a purchase consideration of RM103,037,500 to be satisfied wholly via the issuance of 85,864,583 new AAGB Shares at an issue price of RM1.20 per AAGB Share. • AirAsia Digital currently owns 6,660,002 BIGLIFE Shares, representing 80.00% equity interest in BIGLIFE. Upon the completion of the Proposed Acquisition, BIGLIFE will become a wholly owned subsidiary of AAGB.	Section 2
Rationale for the Proposed Acquisition	• The Proposed Acquisition is intended to achieve the objectives set out below: (i) 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 our Company to drive greater synergies within our 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.	Section 3
Risk factors	• The potential risk factors of the Proposed Acquisition are as follows: (i) Completion risks; (ii) Acquisition risk; and (iii) BIGLIFE's operations may be affected by the COVID-19 pandemic.	Section 6

Key information	Description	Reference to Part B of the Circular
Effects of the Proposed Acquisition	• The effects of the Proposed Acquisition are as follows: (i) the issued share capital of our Company will increase. (ii) the consolidated NL, NL per Share of our Company will reduce whilst gearing remains negative; (iii) the consolidated LAT will increase whilst LPS of our Company will reduce; and (iv) the shareholdings of the substantial shareholders of our Company will be diluted; upon completion of the Proposed Acquisition.	Section 7
Approvals required	• The Proposed Acquisition is subject to the following approvals being obtained: (i) Bursa Securities, for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, which has been obtained on 24 May 2021; (ii) our shareholders, for the issuance of the Consideration Shares pursuant to the Proposed Acquisition at our forthcoming EGM; and (iii) any other relevant authority or party, if required.	Section 9
Conditionality	• The Proposed Acquisition is not conditional upon any other corporate exercise of our Company.	Section 10
Interests of directors, major shareholders, chief executive and/or persons connected with them	• None of our directors, major shareholders, chief executive of our Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.	Section 11
Board's recommendation	• Our Board, having considered all aspects of the 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 our Company. • Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.	Section 14

PART A

PROPOSED LTIS

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout Part A of this Circular:

AAGB or Company	:	AirAsia Group Berhad [Registration No.: 201701030323 (1244493-V)], incorporated in Malaysia
AAGB Group or Group	:	AAGB and its subsidiaries, collectively
AAGB Shares or Shares	:	New ordinary shares of AAGB to be issued pursuant to the Proposed LTIS
Act	:	Companies Act, 2016 and any statutory modifications or amendments thereto from time to time
AirAsia Digital	:	AirAsia Digital Sdn Bhd (formerly known as RedBeat Ventures Sdn Bhd) (Registration No.: 201801011060 (1273076-M)), incorporated in Malaysia
Announcement	:	The announcement dated 17 February 2021 in relation to the Proposed LTIS
Board	:	Board of Directors of AAGB
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
By-Laws	:	The rules, terms and conditions governing the Proposed LTIS (a draft of which, is set out in Appendix A(II) of this Circular)
Circular	:	This Circular dated 4 June 2021
Constitution	:	Constitution of our Company
Director(s)	:	Directors of our Company
Effective Date	:	The implementation date of the Proposed LTIS, which is also a date on which all relevant requirements of Chapter 6 of the Listing Requirements are fully complied with, including the approvals and/or conditions referred to in the By-Laws thereof having been obtained and/or complied with
EGM	:	Extraordinary general meeting
Eligible Person(s)	:	Director(s) and/or employee(s) of AAGB Group, which are not dormant, who meet the criteria of eligibility for participation in the Proposed LTIS in the manner as indicated in the By-Laws
EPS	:	Earnings per share
ESOS	:	Employee share option scheme
ESOS Award(s)	:	An award of ESOS Option(s)
ESOS Grantee(s)	:	Eligible Person(s) who has accepted an ESOS Award(s)

ESOS Option(s)	:	An option to subscribe for new AAGB Shares at a pre-determined specified Exercise Price
Executive Director(s)	:	Executive directors of AAGB
Exercise Price	:	The price at which an ESOS Grantee shall be entitled to subscribe for each new AAGB Share upon the exercise of an ESOS Option
FPE	:	Financial period ending
FYE	:	Financial year ended
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	24 May 2021, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per share
LTIS Committee	:	A committee appointed by our Board to administer the Proposed LTIS in accordance with the terms of the By-Laws
NA	:	Net assets
NRC	:	The Nomination and Remuneration Committee of our Company
Offer	:	An offer made by the LTIS Committee
PAT	:	Profit after tax
PBT	:	Profit before tax
Placement Shares	:	New AAGB Shares issued pursuant to the Private Placement
Price-Fixing Date	:	10 February 2021 and 9 March 2021, being the dates our Company fixed the issue price for the first tranche and the second tranche of the Placement Shares
Private Placement	:	Private placement of up to 20% of the total number of issued shares of our Company
Proposed ESOS	:	Proposed establishment of an employee share option scheme pursuant to the Proposed LTIS
Proposed LTIS	:	Proposed long term incentive scheme which comprises of the Proposed ESOS and Proposed SGS
Proposed SGS		Proposed establishment of a share grant scheme pursuant to the Proposed LTIS
QoQ	:	Quarter-on-quarter

RHB Investment Bank or Principal Adviser	:	RHB Investment Bank Berhad (Registration No. 197401002639 (19663-P))
RM and sen	:	Ringgit Malaysia and sen, respectively
SGS Award(s)	:	An award of AAGB Shares via SGS
SGS Grantee(s)	:	Eligible Person(s) who has accepted a SGS Award(s)
VWAP	:	Volume-weighted average market price
YoY	:	Year-on-year

References to "**our Company**", "**we**", "**us**", "**our**" and "**ourselves**" in this Circular are to our Company.

References to "**our Group**" are to our Company and our subsidiaries. All references to "**you**" and "**your**" in this Circular are to our shareholders

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include legal entities including corporations.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any references in this Circular to the provisions of any enactment, statute, rules, regulation, rules of stock exchange or guideline shall (when the context admits) be construed as a reference to the provisions of such enactment, statute, rules, regulation, rules of stock exchange or guideline (as the case may be) as modified by any written law or (if applicable) amendments to the enactment, statute, rules, regulation, rules of stock exchange or guideline for the time being in force.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company's plans and objectives will be achieved.

AIRASIA GROUP BERHAD
[Registration No. 201701030323 (1244493-V)]
(Incorporated in Malaysia)

Registered Office

RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (klia2)
64000 KLIA
Selangor Darul Ehsan
Malaysia

4 June 2021

Board of Directors

Datuk Kamarudin bin Meranun (Non-Independent Executive Chairman)
Tan Sri Anthony Francis Fernandes (Non-Independent Executive Director and Chief Executive Officer)
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar (Non-Independent Non-Executive Director)
Dato' Fam Lee Ee (Senior Independent Non-Executive Director)
Stuart L Dean (Independent Non-Executive Director)
Dato' Mohamed Khadar bin Merican (Independent Non-Executive Director)

To: Shareholders of AirAsia Group Berhad

Dear Sir/Madam,

PROPOSED LTIS

1. INTRODUCTION

On 17 February 2021, RHB Investment Bank had, on behalf of our Board, announced that our Company proposed to undertake the establishment of the Proposed LTIS of up to 10% of the total number of issued shares (excluding treasury shares, if any) at any point in time comprising a Proposed ESOS and a Proposed SGS.

On 25 May 2021, RHB Investment Bank had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 24 May 2021, resolved to approve the listing and quotation for such number of AAGB Shares, representing up to 10% of the total number of issued shares (excluding treasury shares, if any if) to be issued pursuant to the Proposed LTIS on the Main Market of Bursa Securities, subject to the conditions as disclosed in **Section 9** of Part A of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED LTIS AND TO SEEK YOUR APPROVAL ON THE RESOLUTION PERTAINING TO THE PROPOSED LTIS TO BE TABLED AT THE FORTHCOMING EGM OF OUR COMPANY. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED IN PART A HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED LTIS TO BE TABLED AT THE FORTHCOMING EGM OF OUR COMPANY.

2. DETAILS OF THE PROPOSED LTIS

The Proposed LTIS involves the establishment of a long term incentive scheme of up to 10% of the total number of issued shares of AAGB (excluding treasury shares, if any) at any one time throughout the duration of the Proposed LTIS for the employees and directors of our Group (excluding dormant subsidiaries) who are eligible in accordance with the By-Laws governing the Proposed LTIS and subject to such Proposed LTIS not contravening any foreign laws, regulatory requirements and/or administrative constraints in the respective countries.

In the event that any foreign laws, regulatory requirements and/or administrative constraints prevent or restrict the ability of AAGB to allow the eligible employees of overseas subsidiaries to participate in the Proposed LTIS, an alternative, i.e. a cash based long term incentive plan (which reflects the benefits accrued to eligible employees covered under the Proposed LTIS) may be put in place to ensure equitable treatment of employees covered by similar terms and conditions across the AAGB Group.

The Proposed LTIS will be administered by a committee to be appointed and duly authorised by our Board in accordance with the By-Laws.

The salient terms of the Proposed LTIS are set out below.

2.1 Proposed ESOS

The Proposed ESOS is intended to reward selected eligible employees and directors (excluding non-executive directors), primarily key senior and critical junior talents, of our Group (excluding dormant subsidiaries) by granting them an option to subscribe for new AAGB Shares at a pre-determined specified exercise price, subject to the terms and conditions of the By-Laws.

An ESOS Award once accepted by Eligible Person, may be vested on a 3-year cliff vesting, i.e. 100% may be vested at the end of the 3 years from the grant date over the duration of the Proposed LTIS, subject to the achievement of certain performance conditions, as may be determined by the LTIS Committee in accordance with the By-Laws, which includes, but is not limited to, AAGB Share price performance. The ESOS Awards when vested and exercised under the Proposed ESOS will be satisfied by the allotment and issuance of new AAGB Shares.

The price at which an ESOS Grantee shall be entitled to subscribe for each new AAGB Share upon the exercise of an ESOS Option shall be based on the 5-day VWAP of AAGB Shares immediately preceding the date of the ESOS Award, with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time.

2.2 Proposed SGS

The Proposed SGS is intended to award AAGB Shares to all employees who may be awarded cash bonuses above a certain threshold to be determined by the LTIS Committee. These awards will be subject to certain conditions as may be determined by the LTIS Committee, in accordance with the By-Laws. These conditions may also include certain performance conditions as set out in AAGB's annual bonus scheme, or any other performance conditions as may be determined by the LTIS Committee from time to time. An SGS Award, once accepted by the Eligible Person, will vest in the SGS Grantee at no cost to the SGS Grantee if the vesting conditions stipulated in the said SGS Award (if any) have been satisfied on the vesting date(s). An SGS Award under the Proposed SGS may be granted on a staggered basis over the duration of the Proposed LTIS.

2.3 Maximum number of AAGB Shares available under the Proposed LTIS

The maximum number of AAGB Shares which may be issued under the Proposed LTIS, and any other employee share scheme of our Company which may be implemented from time to time by AAGB, shall not exceed in aggregate of 10% of the total number of AAGB Shares (excluding treasury shares, if any) at any point in time throughout the duration of the Proposed LTIS. The intended allocation of the Proposed ESOS and Proposed SGS is approximately 6% and 4% of the total number of AAGB Shares (excluding treasury shares, if any) respectively.

2.4 Basis of allocation and maximum allowable allotment

The allocation of AAGB Shares to be made available for the LTIS Award(s) under the Proposed LTIS shall be determined by and at the sole discretion of the LTIS Committee.

The aggregate number of AAGB Shares that may be allocated to any one of the Eligible Persons under the Proposed LTIS shall be determined at the absolute discretion of the LTIS Committee, after taking into consideration any performance target(s) during a performance period and/or such other criteria as the LTIS Committee may decide in its discretion (subject always to the By-Laws and any applicable law) and subject to the final approval by the NRC.

Notwithstanding the above, the maximum number of AAGB Shares that may be offered to an Eligible Person shall be subject to the following:

(i) not more than 10% of the total number of AAGB Shares to be made available under the Proposed LTIS shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of AAGB Shares; and

(ii) not more than 80% of the new AAGB Shares available under the Proposed LTIS shall be allocated in aggregate to the directors and senior management of our Group.

The maximum allocation of AAGB Shares to be made available over the duration of the Proposed LTIS is expected not to exceed in aggregate 10% of the issued and paid-up share capital of our Company on a fully diluted basis (excluding treasury shares, if any) at any point of time during the duration of the Proposed LTIS.

The directors and senior management of our Group shall not participate in the deliberation or discussion of his/her own allocation under the Proposed LTIS.

The LTIS Committee shall have the discretion in determining:

(i) whether the allocation available shall be awarded in 1 single LTIS Award, or several separate and independent LTIS Awards; and

(ii) where the allocation is awarded in several separate and independent LTIS Awards, the number of AAGB Shares comprised in each LTIS Award as well as, amongst others, the vesting date(s) and vesting conditions for each LTIS Award, if any.

2.5 Eligibility

Any employee or director of our Group (excluding dormant subsidiaries) is eligible to participate in the Proposed LTIS if, as at the date of the LTIS Award:

(i) he/she is a Malaysian citizen or foreigner employed by our Group (excluding dormant subsidiaries);

(ii) he/she is at least 18 years of age;

(iii) he/she is neither an undischarged bankrupt nor subject to any bankruptcy proceedings;

(iv) in respect of an Eligible Person who is an employee or an executive director of our Group, he/she shall also fulfil the following additional criteria as at the date of LTIS Award:

(a) he/she has been employed on a full time basis or is serving in a specific designation under an employment contract with, and is on the payroll of, any company in our Group;

(b) he/she is a confirmed employee;

(c) he/she remains an employee of our Group and has not given notice of resignation or received a notice of termination or has otherwise ceased or had his/her employment terminated;

(d) he/she falls within any other eligibility criteria as may be determined by the LTIS Committee in accordance with the By-Laws; and

(e) he/she is also required to be an executive director or an employee of any subsidiary in our Group (excluding dormant subsidiaries) holding a senior position or such position as may be designated by the LTIS Committee. For the avoidance of doubt, non-executive directors will not be eligible for the LTIS Awards.

The LTIS Committee may determine or waive any other eligibility criterion for the purposes of selecting an Eligible Person at any time and from time to time.

Where a specific allocation of ESOS Options and/or AAGB Shares is proposed to be made pursuant to a LTIS Award to the directors, chief executive and/or persons connected with them, the specific allocation of AAGB Shares to be comprised in any LTIS Award to the said person must be approved by our shareholders in a general meeting.

2.6 Duration of the Proposed LTIS

The Proposed LTIS will be in force for a period of 6 years commencing from the Effective Date.

The Proposed LTIS may be extended for a further period of up to 4 years immediately from the expiry of the first 6 years at the discretion of our Board upon the recommendation of the LTIS Committee. Any renewal of the Proposed LTIS shall not, in aggregate with the initial term, exceed 10 years from the Effective Date of implementation of the Proposed LTIS, or such longer period as may be allowed by Bursa Securities and/or any other relevant authorities.

On expiry of the Proposed LTIS, any LTIS Awards which have yet to be vested (whether fully or partially) or ESOS Options which have been vested but remained unexercised, shall be deemed terminated and be null and void.

The Proposed LTIS may be terminated by the LTIS Committee at any time without having to assign any reason before the date of expiry of the Proposed LTIS, provided that our Company makes an announcement immediately of the termination to Bursa Securities.

2.7 Basis of determining the Exercise Price

2.7.1 Proposed ESOS

Subject to any adjustments made under the By-Laws and pursuant to the Listing Requirements, the Exercise Price shall be based on the 5-day VWAP of AAGB Shares immediately preceding the date of the ESOS award, with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time during the duration of the ESOS, at the LTIS Committee's discretion.

2.7.2 Proposed SGS

An SGS Award, once accepted by the Eligible Person, will vest at no cost to the SGS Grantee if the vesting conditions stipulated in the said SGS Award (if any) have been satisfied on the vesting date(s). An SGS Award under the Proposed SGS may be granted on a staggered basis over the duration of the Proposed LTIS.

The vesting of AAGB Shares under the Proposed SGS will be satisfied by the allotment and issuance of new AAGB Shares and/or by way of cash settlement as determined by the LTIS Committee.

In the case of settlement by way of cash, the reference price used to determine the amount to be paid to the SGS Grantee will be based on market value of AAGB Shares after taking into account, among others, the 5-day VWAP of AAGB Shares immediately preceding the SGS vesting date(s).

2.8 Ranking of AAGB Shares to be issued under the Proposed LTIS

The new AAGB Shares shall, upon allotment and issuance, rank pari passu in all respects with the existing AAGB Shares in issue, save and except that the new AAGB Shares will not be entitled to any entitlements, including dividends or other distributions that may be declared, made or paid for which the relevant entitlement date is prior to the date of allotment and issuance of the new AAGB Shares.

2.9 Retention period

The new AAGB Shares to be allotted and issued to the Eligible Persons pursuant to the Proposed LTIS will not be subjected to any retention period unless the LTIS Committee stipulates otherwise upon granting of the LTIS Awards.

2.10 Listing of and quotation for the new AAGB Shares

Bursa Securities had vide its letter dated 24 May 2021, approved the listing of and quotation for such number of new AAGB Shares, representing up to 10% (excluding treasury shares, if any) of the total number of issued shares to be issued under the Proposed LTIS on the Main Market of Bursa Securities, subject to the conditions as disclosed in **Section 9** of this Circular.

2.11 Modifications to the Proposed LTIS

The terms and conditions of these By-Laws and the Proposed LTIS may from time to time be modified and/or amended by resolution of our Board without the need for prior approval of our shareholders in a general meeting, except that (unless expressly provided in the By-Laws) no such modification and/or amendment shall be made which would either materially prejudice the rights then accrued to any ESOS Grantee or SGS Grantee without his prior written consent or which would alter to the advantage of the ESOS Grantee or SGS Grantee (as the case may be) in respect of any provision of the By-Laws without the prior approval of our shareholders in general meeting and subject to any applicable laws.

2.12 Adjustment Events

If there is any variation in the capital structure of our Company during the Proposed LTIS period, the LTIS Committee may, with the approval of our Board, appropriately adjust the number of Shares and/or share options contained in the Proposed LTIS to be granted pursuant to the Proposed LTIS and/or the Exercise Price, subject always to applicable laws and listing requirements, in accordance with the By-Laws.

The alterations as set out in this Section 2.12 shall be in such a manner as to give the ESOS Grantee and/or the SGS Grantee a fair and reasonable entitlement under the ESOS Award and SGS Award, as certified in writing (other than for adjustments made pursuant to a bonus issue, subdivision or consolidation of shares) by the external auditor or Adviser of our Company, (acting as an expert and not as an arbitrator) as being in its opinion fair and reasonable and such certification shall be final and binding in all respects.

3. UTILISATION OF PROCEEDS

Our Company will receive proceeds from the exercise of the ESOS Options by the ESOS Grantees. However, the amount of proceeds to be received cannot be determined at this juncture as it will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point in time and the Exercise Price. The proceeds from the exercise of the ESOS Options will be used, amongst others, for our Group's working capital purposes, including but not limited payment of trade and other payables, employee costs, marketing and administrative expenses. Such proceeds are expected to be utilised within a period of 12 months, as and when received throughout the duration of the Proposed LTIS.

Our Company will not receive any proceeds pursuant to the issue of AAGB Shares to the SGS Grantees under the Proposed SGS, as the SGS Grantees will not be required to pay for the new AAGB Shares to be issued to them pursuant to the SGS Awards.

The estimated expenses in relation to the Proposed LTIS is approximately RM0.5 million.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED LTIS

The Proposed LTIS is intended to align the motivation of the Eligible Persons to the corporate goals of our Group and our shareholders' interests, by allowing them to participate in the scheme and benefit from the increase in the share price of our Company.

The Proposed LTIS is intended to achieve the objectives set out below:

(i) enable AAGB to pay competitively in the market to attract the best talent to drive the transformation of our Company;

(ii) retain and reward the Eligible Persons based on their performance to create a high performance culture;

(iii) create a good balance between the various components of the employee compensation scheme with the Proposed LTIS driving the long-term shareholder value creation;

(iv) driven by the need to control cost over the next few years, the Proposed LTIS allows AAGB to compensate Eligible Persons through shares, in lieu of their cash bonuses to some extent thereby saving cost in the short term;

(v) the vesting conditions of the share options will ensure that the Eligible Persons will stand to benefit only if the share price reaches a certain threshold ensuring our shareholders' interests are protected; and

(vi) the Proposed LTIS will also ensure that the leadership of all the AirAsia Group companies strive towards collaboration and creating synergies between the various lines of businesses to maximise shareholder value.

5. FUND RAISING EXERCISE IN THE PAST 12 MONTHS

For information purposes, our Company had on 21 January 2021 announced its proposal to undertake a Private Placement which entails the issuance of up to 668,394,816 Placement Shares, representing up to 20% of the total number of issued shares of our Company.

The Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Act and the "Additional Temporary Relief Measures to Listed Issuers" announced by Bursa Securities on 16 April 2020 which increased the limit prescribed under Paragraph 6.03 of the Listing Requirements from 10% to 20%.

Bursa Securities had, vide its letter dated 3 February 2021, approved the listing of and quotation for the Placement Shares pursuant to the Private Placement. Our Company had on 10 February 2021 fixed the issue price for the first tranche of the Placement Shares, at RM0.675 per Placement Share. The issue price of RM0.675 per Placement Share represents a discount of 9.82% to the 5-day VWAP of AAGB Shares up to and including 9 February 2021, being the market day immediately before the Price-Fixing Date, of RM0.7485 per AAGB Share.

The first tranche of Private Placement was completed following the listing of and quotation for 369,846,852 Placement Shares on the Main Market of Bursa Securities on 19 February 2021 which raised gross proceeds amounting to approximately RM249.65 million.

Our Company had on 9 March 2021 fixed the issue price for the second tranche of the Placement Shares, at RM0.865 per Placement Share. The issue price of RM0.865 per Placement Share represents a discount of 9.68% to the 5-day VWAP of AAGB Shares up to and including 8 March 2021, being the market day immediately before the Price-Fixing Date, of RM0.9577 per AAGB Share.

The second tranche of the Private Placement was completed following the listing of and quotation for 100,367,362 Placement Shares on the Main Market of Bursa Securities on 17 March 2021 which raised gross proceeds amounting to approximately RM86.82 million.

The total gross proceeds raised up to the LPD amounted to approximately RM336.5 million, of which RM293.9 million has been utilised up to the LPD for the following:

Utilisation of proceeds	Expected timeframe	Proposed utilisation [(1)] RM million	Gross proceeds raised up to the LPD [(2)] RM million	Actual utilisation up to the LPD RM million
Fuel hedging settlement	6 – 12 months	146.6	108.6	89.3
Aircraft lease and maintenance	3 months	95.2	70.5	70.5
AirAsia Digital business units development costs, product and market expansion costs and marketing expenses	Within 12 months	77.0	57.0	39.1
General working capital expenses	Within 6 months	135.5	100.4	94.7
Estimated expenses for the Private Placement	Immediate	0.2	0.2	0.2
		454.5	336.5	293.9

Notes:

(1) Based on the announcement of the Private Placement dated 21 January 2021.

(2) The allocation of the proceeds raised up to the LPD is proportionate to the earlier allocation of the proposed utilisation of proceeds based on the announcement of the Private Placement dated 21 January 2021.

The Private Placement has been implemented in tranches and the issue price for each subsequent tranche has been determined and announced by our Board separately. The Private Placement is expected to be completed in the 2nd quarter of 2021.

Save for the Private Placement, our Company has not undertaken any other equity fund raising exercises in the past 12 months.

6. INDUSTRY OUTLOOK AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical and electronic ("**E&E**") products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order ("**MCO 2.0**") and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March 2021, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

Domestic demand recorded a smaller decline of 1.0% (4Q 2020: -4.5%) in the first quarter of 2021, weighed down by the contraction in private sector expenditure amid the imposition of MCO 2.0. However, the impact of MCO 2.0 was smaller given that most economic sectors were allowed to operate and with continued policy support for households and businesses. On the external front, robust external demand particularly for E&E products, contributed to a continued expansion in net exports.

Private investment recorded its first positive growth since the fourth quarter of 2019 (1Q 2021: 1.3%; 4Q 2020: -6.6%). This was supported mainly by the increase in capital expenditure from new and ongoing investment projects, particularly in the services and manufacturing sectors. Public investment registered a contraction of 18.6% (4Q 2020: -20.4%). While the Federal Government fixed assets spending was higher, investment by public corporations contracted at a larger pace, particularly in the oil and gas and telecommunication subsectors.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), turned positive to 0.5% during the quarter (4Q 2020: -1.5%). This was due mainly to positive albeit low fuel inflation, as well as a lapse in the effect from the tiered electricity tariff rebate. The positive fuel inflation was driven by the base effect from low domestic retail fuel prices last year. These were partly offset by lower inflation in other categories, in particular, rental and jewelleries.

Rental inflation remained low amid soft demand for rental properties, in addition to reduced numbers of prospective tenants amid continued domestic movement restrictions and international border closures. Meanwhile, the lower inflation for jewelleries reflected declining gold prices during the quarter. Following the lower inflation for rental and jewelleries, core inflation moderated to 0.7% during the quarter (4Q 2020: 0.8%).

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

In the first quarter of 2021, conditions in the domestic financial markets were affected by both external and domestic developments. On the external front, the rise in long-term United States ("**US**") Treasury yields during this period led to shifts in international portfolio flows, resulting in financial asset price adjustments globally.The surge in US Treasury yields, driven mainly by expectations for higher inflation in anticipation of a faster economic recovery in the US, led to the steepening of government bond yield curves in other advanced and emerging market economies. Furthermore, the improved US economic outlook and higher treasury yields supported the rebalancing of portfolio investments towards US financial assets and contributed to a strengthening of the US dollar. As a result, there was a broad-based weakening of regional currencies against the US dollar, including the ringgit.

Consequently, domestic bond yields rose in tandem with yield movements in regional markets and US Treasury securities. In particular, 10-year Malaysian Government Securities ("**MGS**") yields increased to its peak in mid-March before declining towards the end of the month as volatility in US Treasury yields subsided. The domestic bond market was further supported by the positive news on Malaysia's retention in the FTSE World Government Bond Index ("**WGBI**"). Overall, the government bond market continued to record inflows as non-resident holdings increased to 25.0% of outstanding government bonds (4Q 2020: 24.2%). For the quarter, the 3-year, 5-year and 10-year MGS yields increased by 24.4, 54.1 and 61.9 basis points, respectively, while the ringgit depreciated against the US dollar by 3.5%, in line with the movements of regional currencies.

The balance of risks remains tilted to the downside, arising mainly from ongoing uncertainties in developments related to the pandemic, and continued challenges that affect the roll-out of vaccines both globally and domestically.

For 2021 as a whole, headline inflation is expected to average higher between 2.5% and 4.0%, primarily due to the cost-push factor of higher global oil prices. To a lesser extent, the higher headline inflation rate is also partly due to the lapse in the impact from the tiered electricity tariff rebate implemented from April to December 2020.

In terms of trajectory, headline inflation is projected to temporarily spike in the second quarter of 2021, driven by the lower base from the low domestic retail fuel prices in the corresponding quarter of 2020. Headline inflation in April and May may rise to approximately between 6.5% and 7.0%. However, this will be transitory as headline inflation is expected to return to below 5.0% in June, and continue to moderate thereafter as the base effect dissipates. Several other countries are also expecting a similar phenomenon with surges in inflation amid higher energy prices and the base effect of having come from a low inflation rate in the same period last year.

Underlying inflation, as measured by core inflation, is expected to remain subdued, averaging between 0.5% and 1.5% for the year, amid continued spare capacity in the economy.

The inflation outlook, however, is subject to global oil and commodity price developments. In terms of upside risks, the impact on domestic retail fuel prices from higher global oil prices would be limited to some extent by the price ceilings effective February 2021. In addition, the enhanced Festive Season Maximum Price Control Scheme would help to curb price increases especially in fresh foods, thereby containing overall food inflation in the near term.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2021, BNM Quarterly Bulletin, Bank Negara Malaysia)

6.2 Overview and outlook of the aviation industry in Malaysia

Airline share prices, except for European airlines index, performed better than wider equity markets in May 2021. Prospects for the summer recovery in the regions with fast vaccine rollout and surging air cargo exports lifted the performance of airline shares. Nevertheless, globally airline share prices remain well below pre-pandemic levels, diverging from wider equity markets.

Airline shares performed better than wider equity markets in May 2021 (2.4% vs 1.0%) on the back of rising hopes for summer travel in the regions with fast vaccine rollout and surging air cargo exports. However, the airline share price index is still well below the pre-pandemic levels (-19.2% vs. December 2019) as the road to recovery is bumpy while global equity markets are 25.3% above their pre-crisis levels.

Asia Pacific airlines shares were the best performers in May 2021, despite surging COVID-19 cases in the region. Strong demand for air cargo and recovering domestic travel where virus is under control were the main reasons behind this strength. North American airline index ticked up as well since the airlines are benefitting from government support and the rapid vaccine rollout in the United States ("**US**") raises expectations for the return of domestic travel demand. On the other hand, European airline index was stable, since the recovery in the summer season is at risk with slower than expected vaccine rollout.

Net losses increased in Latin America and Asia Pacific, since new COVID-19 waves inverted the recovery in domestic travel demand in Latin America and China during the quarter. On the other hand, North American carriers reduced losses since domestic demand soared towards the end of the quarter and stringent cost controls remain in place.

Looking forward, financial performance will be varied across regions. In our updated forecast, North America is expected to be the best performer while Europe is to have the weakest operating performance due to slower vaccination and subdued international travel.

Airline passenger revenues were still 63% lower in the first quarter of 2021 compared to the prior year due to stagnant air travel demand. On the other hand, the cargo business strengthened further (increasing 79% compared to first quarter of 2020) with the support of North American and European airlines. Nevertheless, cargo revenues were not sufficient to compensate for the sharp loss in passenger business, resulting in a 52% drop in overall revenues.

On the cost side, the year-on-year decline in operating costs was limited to 29%, not enough to compensate the fall in revenues. The decrease in operating costs was mainly driven by reductions in flight-volume related costs, i.e. fuel, landing and user charges. The reductions in fixed costs were limited.

Airlines continued to burn cash in the first quarter of 2021, i.e. net cash outflows from operating activities were at 8.5% of revenues. At the regional level, operating cash flow turned to positive in North America with the support of payroll programs for US carriers. Some US carriers stopped burning cash in March 2021 on the back of a strong rebound in US domestic travel.

Airlines limited capital expenditures to 11.7% of revenues. As a result, free cash outflows were at 20.2% of revenues. As travel demand recovers, cash flow pressure is expected to ease and positive cash flow for the whole second quarter is a possibility for some. On the other hand, European and Latin American carriers reported the most significant free cash outflow.

(Source: Airlines Financial Monitor, April 2021, Economic Reports, International Air Transport Association)

The reopening of Malaysia's international borders is subject to the approval by the National Security Council, as well as the latest situation of the COVID-19 pandemic in Malaysia and in other countries. However, for borders to be reopened and international travel to commence once again, the verification of vaccination certificates as well as the implementation of quarantine standard operating procedures ("**SOPs**") must be accepted worldwide.

Malaysia is looking at the implementation of a digital health pass, such as the International Air Transport Association ("**IATA**") Travel Pass to facilitate post-pandemic travels. The travel pass informs passengers on the tests, vaccines, and other measures they require prior to travel, details on where they can get tested, and gives them the ability to share their tests and vaccination results in a verifiable, safe, and privacy-protecting manner. Adopting the IATA Travel Pass would be a booster particularly for international passenger movements.

Furthermore, the implementation of air travel bubbles between green zone countries could increase the international passenger traffic.

(Source: Malaysia's 2021 Air Passenger Traffic Forecast Revision, April 2021, Malaysian Aviation Commission)

6.3 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 a 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 vaccines rollout accelerated within the ASEAN region, 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 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.

(Source: Management of AAGB)

6.4 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 exercise during the 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 33% equity interest in AirAsia India which raised RM152.9 million. Subsequent to the 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.

6.5 Prospects of AAGB

With the right foundations and platforms in place as a leaner and optimised airline operations that was pursued by our Group in 2020, our Group was able see fruits in the first quarter of 2021 with lower cost and cash bum. 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. Our Group will continue to ensure that cash burn remain low and cost optimisation measures continue to be implemented. Even if borders remain closed, our 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, our Group expects to see improved stability 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.

Our Group continues to accelerate our offerings within the digital pillars with the launch of airasia beauty in Malaysia and Indonesia and airasia food bringing its offerings to Singapore and Penang. Our Group has also launched airasia money in April 2021, beginning with a partnership with financial comparison platform RinggitPlus. Through our partnership with the platform, airasia money currently provides credit card and loan application services. The financial marketplace will also allow users to obtain the best personal finance news, information, guidance and make the best choices for their immediate needs. Our Group is encouraged by the early signs from our digital transformation to become ASEAN's super app of choice and expect our digital and non-airline revenues to contribute around 50% to our Group in five years. Teleport is focusing on building out a reliable cargo network and a 24-hour delivery end-to-end infrastructure to increase independence from passenger networks during these tough times and is in the midst of leasing a freighter aircraft and is converting two A320 passenger planes to cargo-only freighter planes in order to achieve the plan.

Despite the on-going challenges, our Group will continue to ensure that cash burn remains low and cost optimisation measures continue to be implemented, including the right sizing of manpower and salary cuts for management, staff and directors whilst actively managing capacity to be in line with demand. Also, our Group has ongoing deliberations with a number of parties for joint-ventures and collaborations that may result in additional third-party investments in specific segments of our Group's business.

In addition, the digital initiatives of our Group under AirAsia Digital has been on a growth trajectory with the transformation of our subsidiaries into an all-in-one digital travel and lifestyle ecosystem anchored by airasia super app, a single platform offering all products under our Group as well as 3rd parties. The product offerings under AirAsia Digital includes, but are not limited to the following:

(i) airasia super app, our 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.). In the first quarter of 2021, our airasia super app reported strong YoY revenue growth of 45%. Further, it launched airasia food in Singapore and expanded to Penang. It will launch a Muslim-friendly e-commerce platform under IKHLAS in the second quarter of 2021. The sale of unlimited passes in Malaysia, Thailand and Indonesia exceeded more than 100,000 passes. In the second quarter of 2021, airasia super app launched airasia beauty in Malaysia and Indonesia, with the next country launch targeted for Thailand;

(ii) Teleport, our 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 our Group's ecommerce division. In the first quarter of 2021, Teleport's revenue tripled QoQ as there were more charter flights especially to China, India and Thailand. Teleport also recorded positive earnings before interest, tax, depreciation and amortisation of RM3.165 million in the first quarter of 2021. Teleport has initiated its aspiration to establish a cargo-only core network, and is working to establish a stable network of core routes that is independent from the passenger network as the region prepares for the rebound from COVID-19;

(iii) BigPay, which currently offers payment solutions and remittances, as well as lending solutions in the near future. For the FYE 2020, BigPay recorded revenue of RM94.2 million, a decline from the previous FYE 2019 of RM148.3 million. However, BigPay recorded net income attributable to its equity holders of RM31.9 million for the FYE 2020, a significant increase from the net loss it recorded in FYE 2019 of RM21.3 million. In the first quarter of 2021, BigPay's revenue declined as compared to the first quarter of 2020, as there were lower new carded customers due to limited marketing spend during the COVID-19 pandemic. However, revenue increased by 5% QoQ primarily through the increase of payment and remittance revenue. Paired with strict cost control, BigPay continues to develop its lending products to be introduced, as well as enhancing its remittance services;

(iv) BIGLIFE (newly rebranded to Big Rewards), our rewards and points company which allows our 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) AirAsia Farm, a farm to business (F2B) marketplace that connects agriculture producers to operators and help producers to improve their productivity and income while allowing operators to enjoy quality products at fair prices. In conjunction with our Group's emphasis on its digital transformation, combined with strict internal cost controls and safety measurements, the management believes that the aforementioned actions taken by our Group positions it to be on a strong footing to recover quickly.

(Source: Management of AAGB)

7. **HISTORICAL SHARE PRICES**

The monthly highest and lowest prices of AAGB Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are set out in the table below:

	High	Low
	RM	RM
2020		
June	1.10	0.66
July	0.945	0.64
August	0.74	0.575
September	0.685	0.61
October	0.69	0.53
November	0.84	0.51
December	1.00	0.715
2021		
January	0.885	0.67
February	0.960	0.695
March	1.270	0.900
April	1.060	0.830
May	0.90	0.82

The last transacted market price of our Shares on 16 February 2021 (being the last trading day prior to the announcement of the Proposed LTIS)	0.815
The last transacted price of AAGB Shares on 1 June 2021, being the latest practicable date prior to the printing of this Circular	0.87

8. EFFECTS OF THE PROPOSED LTIS

8.1 Issued share capital

The Proposed LTIS is not expected to have any immediate effect on the issued share capital of AAGB. The issued share capital of our Company will increase progressively as and when new AAGB Shares are issued arising from the exercise of the ESOS Options or the vesting of AAGB Shares comprised in the SGS Awards under the Proposed LTIS.

For illustrative purposes, assuming that the maximum number of AAGB Shares are made available under the Proposed LTIS and are fully granted and vested and that there is no other increase in the issued share capital of AAGB during the duration of the Proposed LTIS, the proforma effects of the Proposed LTIS on the issued share capital of AAGB is as follows:

	No. of Shares ('000)	**Share capital RM'000**
Issued share capital as at the LPD(1)	3,812,188	8,359,732
Maximum number of AAGB Shares to be issued pursuant to the Proposed LTIS	(2)381,219	(3)293,538
Enlarged share capital	**4,193,407**	**8,653,271**

Notes:

(1) 470,214,214 Placement Shares were issued up to the LPD pursuant to the Private Placement as announced on 21 January 2021 and assuming that there are no further Placement Shares issued.

(2) Calculated based on the maximum number of new AAGB Shares which may be allotted pursuant to the Proposed LTIS of 10% of our Company's total number of issued shares.

(3) For illustrative purposes, calculated based on RM0.77, representing a discount of approximately 9.31% to the 5-day VWAP of AAGB Shares up to and including the LPD of RM0.8490.

8.2 NA per AAGB Share and gearing

Save for the potential impact of the Malaysian Financial Reporting Standards 2 on 'Share-based Payment' issued by the Malaysian Accounting Standards Board as set out in Section 8.4 below, if the Proposed LTIS is settled by AAGB Shares, the Proposed LTIS is not expected to have an immediate effect on the consolidated NA, NA per share and gearing of our Company until such time the ESOS Options are exercised and/or AAGB Shares comprised in the SGS Awards are vested. The effects will depend on the following:

(i) in respect of the Proposed ESOS, the number of new AAGB Shares to be issued pursuant to the exercise of the ESOS Options and the Exercise Price; and

(ii) in respect of the Proposed SGS, the number of AAGB Shares to be issued pursuant to the vesting of AAGB Shares comprised in the SGS Awards.

For illustration purposes, upon exercise of the ESOS Options, the consolidated NA per share is expected to:

(i) increase if the Exercise Price is higher than the consolidated NA per share; or

(ii) decrease if the Exercise Price is lower than the consolidated NA per share,

at such point of exercise and/or vesting.

In respect of the Proposed SGS, if it is executed by way of issuance of new AAGB Shares, the consolidated NA per share of our Company is expected to be diluted following the allotment and issuance of new AAGB Shares to satisfy the SGS Awards. If the Proposed SGS is settled by cash, the Proposed SGS may reduce the consolidated NA, NA per share and increase the gearing of our Company accordingly.

8.3 Substantial shareholders' shareholdings

The Proposed LTIS will not have an immediate effect on the shareholdings of the substantial shareholders of AAGB until such time when new AAGB Shares are issued arising from the exercise of ESOS Options and/or vesting of the SGS Awards pursuant to the Proposed LTIS. Any effect on the percentage shareholdings of the substantial shareholders will depend on the actual number of new AAGB Shares to be issued pursuant to the exercise of ESOS Options and/or vesting of AAGB Shares comprised in the SGS Awards pursuant to the Proposed LTIS at the relevant point in time.

8.4 Earnings and EPS

The Proposed LTIS is not expected to have any material effect on the consolidated earnings and EPS of our Company until such time when the LTIS Awards are granted. Future earnings of our Company may be affected as, according to the Malaysian Financial Reporting Standards 2, the costs arising from the LTIS Awards are required to be measured at the date on which the LTIS Awards are granted and recognised as an expense over the vesting period of the LTIS Awards.

Any potential effects of the Proposed LTIS on the potential earnings and EPS of our Company cannot be determined at this juncture as it would depend on the number of AAGB Shares comprised in the LTIS Awards, number of ESOS Options granted and exercised, the Exercise Price payable upon the exercise of the ESOS Options under the Proposed ESOS and various factors that affect the fair value of the ESOS Options and/or the SGS Awards.

The potential cost of the LTIS Awards does not represent a cash outflow as it is only an accounting treatment. For avoidance of doubt, there will be cash outflow if the SGS Awards is fully or partially satisfied in cash.

8.5 Convertible securities

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

9. APPROVALS REQUIRED

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

(i) Bursa Securities, for the listing of and quotation for such number of new AAGB Shares, representing up to 10% of the total number of issued shares of AAGB (excluding treasury shares, if any) to be issued pursuant to the Proposed LTIS on the Main Market of Bursa Securities, the approval of which has been obtained via its letter dated 24 May 2021 subject to the following conditions:

No.	Conditions	Status of compliance
1.	AAGB and RHB Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed LTIS;	Noted
2.	AAGB is required to furnish Bursa Securities with a certified true copy of the resolutions passed by its shareholders at a general meeting for the Proposed LTIS;	To be complied
3.	RHB Investment Bank is required to submit a confirmation to Bursa Securities of full compliance of the Proposed LTIS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation;	To be complied
4.	AAGB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed LTIS as at the end of each quarter together with a detailed computation of listing fees payable;	To be complied
5.	AAGB and RHB Investment Bank are required to inform Bursa Securities upon completion of the Proposed LTIS; and	To be complied
6.	AAGB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed LTIS is completed.	To be complied

(ii) our shareholders for the Proposed LTIS at the forthcoming EGM; and

(iii) any other relevant authorities and/or parties, if required.

The Proposed LTIS is not conditional upon any other corporate exercise of our Company.

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

None of our directors, major shareholders, chief executive and/or persons connected with them have any interest, direct or indirect, in the Proposed LTIS as our Company currently does not have any plans to allocate any LTIS Awards to the directors and/or persons connected with them.

In the event our Company intends to allocate any LTIS Awards to its directors (some of whom are major shareholders of AAGB) and/or persons connected with them during the duration of the Proposed LTIS, specific shareholders' approval will be sought prior to any such allocation.

In such instance, the said directors (some of whom are major shareholders of AAGB) will abstain from deliberating and voting at all relevant Board meetings on their allocation, as well as allocations to persons connected with them (if any).

Further, the said directors (some of whom are major shareholders of AAGB) will also abstain from voting in respect of their direct and/or indirect shareholdings in AAGB on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them (if any) under the Proposed LTIS. The said directors (some of whom are major shareholders of AAGB) will also undertake that they shall ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in AAGB (if any) on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them at the EGM to be convened in the future, if applicable.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed LTIS is expected to be implemented by the 3rd quarter of 2021.

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12. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save as disclosed below, there is no other corporate exercise or proposal which has been announced but is not yet completed before the printing of this Circular:

(i) the Private Placement; and

(ii) the Proposed LTIS and the Proposed Acquisition (which are the subject matters of this Circular).

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, having considered all aspects of the Proposed LTIS, including the rationale for and the effects of the Proposed LTIS, is of the opinion that the Proposed LTIS is in the best interest of our Company. Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed LTIS at the forthcoming EGM.

14. EGM

Our Company's forthcoming EGM, the notice of which is set out in this Circular, will be conducted as a fully virtual meeting via live streaming and online remote voting on the online meeting platform of **TIIH Online** via its website at https://tiih.online, on Monday, 21 June 2021, at 2.00 p.m., for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution to give effect to the Proposed LTIS.

You are entitled to attend the fully virtual meeting via live streaming and participate via online remote voting at our forthcoming EGM or appoint proxy(ies) to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our registered office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia or electronically lodged with the poll administrator via TIIH Online website at https://tiih.online not later than forty-eight (48) hours before the time fixed for our forthcoming EGM or any adjournment thereof. Please refer to the Administrative Note for the EGM on the procedures for electronic lodgement of the Form of Proxy. The last date and time for you to lodge the Form of Proxy is on Saturday, 19 June 2021 at 2.00 p.m.. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our forthcoming EGM should you subsequently wish to do so but if you do so, your proxy shall be precluded from attending the EGM.

15. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in Part A of this Circular for further information.

Yours faithfully,
For and on behalf of the Board
AIRASIA GROUP BERHAD

DATUK KAMARUDIN BIN MERANUN
Non-Independent Executive Chairman

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board who collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular, or other facts the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS AND CONFLICT OF INTEREST

RHB Investment Bank, being the Principal Adviser for the Proposed LTIS, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Employees Provident Fund ("**EPF**") is a common shareholder of our Company and RHB Bank Berhad (being the holding company of RHB Investment Bank). Nevertheless, EPF is not involved in the day-to-day operations of both our Group and RHB Banking Group (as defined herein).

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad ("**RHB Banking Group**") forms a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses with our Company and/or our persons acting in concert. RHB Banking Group has engaged and may in the future engage in transactions with and perform services for our Group, in addition to the roles set out in this Circular.

In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer or provide its services to or engage in any transaction (whether on its own account or otherwise) with any member of our Group, our directors, and/ or our shareholders, hold long or short positions in securities issued by our Company, make investment recommendations and/ or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in our shares and/ or other securities, which we may issue in the future.

As at the LPD, RHB Banking Group has subsisting facilities with a combined limit of RM405.5 million with our Group. The extension of the said facilities is in the ordinary course of business of the RHB Banking Group.

Notwithstanding the above, RHB Investment Bank is of the opinion that the abovementioned do not give rise to a conflict of interest situation in its capacity as Principal Adviser for our Proposed LTIS due to the following:

(a) the credit facilities were provided by RHB Banking Group on an arms' length basis and in its ordinary course of business, and the said credit facilities are not material when compared to the audited NA of RHB Banking Group as at 31 December 2020 of approximately RM27.02 billion;

(b) the Corporate Finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations;

(c) RHB Investment Bank is a licensed investment bank and its appointment as the Principal Adviser is in the ordinary course of business and RHB Investment Bank does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Principal Adviser for our Proposed LTIS; and

(d) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

RHB Investment Bank confirms that there is no conflict of interest situation in its capacity as the Principal Adviser for the Proposed LTIS.

3. MATERIAL LITIGATION

As at the LPD, neither AAGB nor its subsidiaries is involved in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board does not have any knowledge of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of our Group.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material commitment

As at the LPD, save as disclosed below, there are no material commitments incurred or known to be incurred which may, upon becoming enforceable, have a material impact on the financial results or position of AAGB:

Capital commitments for property, plant and equipment:

	RM million
Approved and contracted for	136,617.8

4.2 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by AAGB which may have a material impact on the financial results or position of AAGB.

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of our Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia during normal business hours from Monday to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) the Constitution of AAGB;

(ii) the audited consolidated financial statements of AAGB for the past two (2) FYE 31 December 2019 and 2020;

(iii) the unaudited consolidated results of AAGB for the 1st quarter ended 31 March 2021;

(iv) the letter of consent and declaration of conflict of interest referred to in **Section 2** above; and

(v) the draft By-Laws.

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DRAFT BY-LAWS FOR THE PROPOSED LTIS

PART B: SHARE OPTION SCHEME

PART C: SHARE GRANT SCHEME

AIRASIA GROUP BERHAD
EMPLOYEES' LONG TERM INCENTIVE SCHEME

DEFINITIONS AND INTERPRETATION

In these By-Laws, the following words and expressions shall bear the following meanings, unless the context otherwise requires.

"**Act**"	means the Companies Act, 2016, as amended from time to time and any re-enactment thereof.
"**Adviser**"	has the meaning ascribed to it in the Listing Requirements.
"**Auditor**"	mean any approved company auditor as defined under the Act.
"**Award Shares**"	means Share(s) comprised in the LTIS that have vested pursuant to the Share Vesting Schedule.
"**Board**"	means the board of directors of the Company for the time being.
"**Bursa Securities**"	means Bursa Malaysia Securities Berhad.
"**By-Laws**"	means the terms and conditions of the LTIS as set forth in these By-Laws as amended, modified and/or supplemented from time to time.
"**Company**"	means AirAsia Group Berhad [Registration No.: 201701030323 (1244493-V)], a public company limited by shares and incorporated in Malaysia.
"**Constitution**"	means the constitution of the Company.
"**Disciplinary Proceedings**"	means proceedings instituted by a Group Company against an Eligible Employee and/or Participant for any alleged misbehaviour, misconduct and/or any other act of the Eligible Employee and/or Participant deemed to be unacceptable by that Group Company in the course of employment of that Eligible Employee and/or Participant whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Eligible Employee and/or Participant.
"**Effective Date**"	means the date upon which the Company has fully complied with the provisions of the Main Market Listing Requirements of Bursa Securities in relation to the LTIS.
"**Eligible Employee**"	means an employee of a Group Company who is selected to be eligible for participation in the LTIS as set forth in **By-Law 7**, and "**Eligible Employees**" means any two or more of them.
"**Financial Year**"	means the financial year of the Company.

"**Good Leaver**"	means a Participant who has ceased or terminated his/her employment with the relevant Group Company due to: (i) retirement on attaining the retirement age under the Group's retirement policy; (ii) retirement before attaining the normal retirement age by reason of ill-health, injury, medically boarded-out, physical or mental disability; (iii) redundancy or voluntary separation scheme; (iv) mutually agreed separation which is recorded via a mutual separation agreement; or (v) any other circumstances which are acceptable to the Scheme Committee in its sole and absolute discretion.
"**Group**"	means, collectively, the Company and its Subsidiaries (excluding dormant Subsidiaries) and "**Group Company**" shall mean any one of them.
"**Listing Requirements**"	means the Main Market Listing Requirements of Bursa Securities, as amended from time to time
"LTIS"	means the AirAsia Group Berhad Employees' Long Term Incentive Scheme set up under and governed by these By-Laws.
"Market Day"	means any day between Monday and Friday (both days inclusive) which is not a public holiday, and on which Bursa Securities is open for the trading of securities.
"Maximum Allowable Allocation"	has the meaning ascribed to it in **By-Law 5.1**.
"Maximum Shares"	has the meaning as ascribed to it in **By-Law 4**.
"NRC"	means the Nomination and Remuneration Committee of the Company.
"**Participant**"	means an Eligible Employee who has accepted the Share Grant Award or Share Option Offer in the manner indicated in **By-Law 10** (as maybe applicable in the context of these By-Laws), and "**Participants**" means any two or more of them.
"**Performance Period**"	means the period in which the Performance Targets, as stipulated by the Scheme Committee and communicated to the Eligible Employees, are required to be achieved.
"**Performance Targets**"	means (i) the performance conditions recommended by the Scheme Committee and approved by the NRC, and as communicated to the Eligible Employees and (ii) such other conditions as may be determined by the Scheme Committee at i ts sole and absolute discretion and communicated to the Eligible Employees from time to time, which are to be achieved by the Group Company during the Performance Period.

"Poor Leaver"	means a Participant who has ceased or terminated his/her employment with the relevant Group Company and is not deemed as a Good Leaver pursuant to these By-Laws.
"**Scheme Committee**"	means the committee for the LTIS established pursuant to **By-Law 20.1** with such powers to perform such acts as are deemed necessary or expedient to promote and give full effect to the LTIS, in the best interest of the Company.
"**Service Period**"	means the period determined by the Scheme Committee and stipulated in the Share Grant Letter / Share Option Offer during which a Participant must: (i) remain / continue in continuous employment with Group Company; and (ii) not have given a notice to resign or received a notice of termination.
"**Share Capital"**	has the meaning ascribed to it in **By-Law 4.1**.
"**Shares**"	means ordinary shares in the share capital of the Company.
"**Share Grant**"	means the award of Shares made by the Scheme Committee to the Eligible Employee(s) under the Share Grant Scheme pursuant to the acceptance of the Share Grant Letter.
"**Share Grant Agreement**"	means the agreement between the Participant and the Company upon acceptance of the Share Grant by Eligible Employee(s) pursuant to the Share Grant Letter and these By-Laws.
"**Share Grant Award**"	means the grant of Shares recommended by the Scheme Committee and approved by the NRC to the Eligible Employee(s) by issuance of the Share Grant Letter.
"**Share Grant Date**"	means the date of the Share Grant Letter issued to a selected Eligible Employee to participate in the Share Grant Scheme.
"**Share Grant Letter**"	means the letter granting the Share Grant Awards.
"**Share Grant Period**"	means the period of thirty (30) days from the Share Grant Date or such other period as may be recommended by the Scheme Committee having regard to the Terms of Reference and approved by the Board and specified in the Share Grant Letter during which a Share Grant Award may be accepted.
"Share Grant Scheme"	means the scheme established under **Part C** of these By-Laws.
"**Share Grant Vesting Conditions**"	means the conditions recommended by the Scheme Committee and approved by the NRC and stipulated in the Share Grant Letter which must be fulfilled for the vesting of the Share Grant Awards or any part thereof.

"Share Grant Vesting Date"	means the date that the Share Grant Award will be proportionately vested on the Participant in the manner set out in **By-Law 11.1** and as set out in the Share Grant Letter provided that the Share Grant Vesting Conditions have been fulfilled at each relevant Share Grant Vesting Date.
"Share Vesting Schedule"	has the meaning ascribed to it in **By-Law 11.1**.
"Share Option(s)"	means the option(s) granted by the Scheme Committee to an Eligible Employee in accordance with the Share Option Scheme under these By-Laws.
"Share Option Holder"	means an Eligible Employee who has accepted a Share Option Offer and has been granted Share Option(s) in accordance with these By-Laws.
"Share Option Offer"	means the offer made by the Scheme Committee to Eligible Employee(s) to grant him/her Share Option(s) as set out in **By-Law 32**.
"Share Option Offer Date"	means the date on which a Share Option Offer is made by the Scheme Committee to an Eligible Employee in accordance with these By-Laws.
"Share Option Offer Period"	means the period of fourteen (14) days from the Share Option Offer Date or such longer period as may be determined by the Scheme Committee to an Eligible Employee in accordance with these By-Laws for acceptance of the Share Option Offer.
"Share Option Period"	means the period in which an Exercisable Share Option may be exercised as determined by the Scheme Com mittee in accordance with these By-Laws.
"Share Option Price"	means the price at which the Share Option Holder shall be entitled to subscribe for every new Share by exercising his Share Option as determined in accordance with **By-Law 33**.
"Share Option Scheme"	means the scheme established under **Part B** of these By-Laws.
"Share Option Vesting Date"	means the date in which the Share Option(s) shall be vested in favour of the Share Option Holder.
"Share Scheme Period"	has the meaning ascribed to it in **By-Law 3.1**.
"Share Vesting Schedule"	has the meaning ascribed to it in **By-Law 11.1**.
"Subsidiaries"	has the meaning defined in Section 4 of the Act.
"Terms of Reference"	means the terms of reference which the Board may establish to regulate and govern the Scheme Committee's functions and/or responsibilities under these By-Laws, as may be amended from time to time.

In these By-Laws, unless the context otherwise requires:

(i) words importing the singular number include the plural and vice versa and words importing the masculine, feminine or neuter gender shall include all genders;

(ii) the headings and sub-headings herein are inserted for convenience only and shall not affect the interpretation of these By-Laws;

(iii) any reference to a statute, statutory provisions, guidelines, regulations or rules includes a reference to that statute, statutory provision (and all statutory instruments or orders made pursuant to it), guidelines, regulations and rules, as from time to time amended, extended, re-enacted or consolidated;

(iv) any liberty, power or discretion which may be exercised or any decision or determination which may be made under these by-Laws by:

(a) the Scheme Committee (including any selection) may be exercised by the Scheme Committee having regard only to the Terms of Reference (where applicable) but subject to the Board's power to overrule any decision of the Scheme Committee; and

(b) by the NRC may be exercised in the NRC's sole discretion, but subject always to the Board's power to overrule any decision of the NRC;

The Scheme Committee and NRC shall not be under any obligation to give any reason therefore, except as may be required by relevant authorities.

(v) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day shall be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the expiry of the Scheme then the stipulated day shall be taken to be the last Market Day of the Share Scheme Period; and

(vi) in the event of any change in the name of the Company from its present name, all references to "AirAsia Group Berhad" in these By-Laws and all other documents pertaining to the LTIS shall be deemed to be references to the Company's new name.

PART A: GENERAL PROVISIONS

1. THE SCHEME

1.1. The Scheme shall be known as "AirAsia Group Berhad Employees' Long Term Incentive Scheme" and shall comprise of the Share Option Scheme and/or the Share Grant Scheme.

2. APPLICATION OF THIS PART A

2.1. Unless expressly provided, the provisions of this Part A shall apply generally to the Share Option Scheme and the Share Grant Scheme.

3. DURATION OF THE SCHEME

3.1. The Scheme shall take effect from the Effective Date and shall continue to be in force for a maximum period of six (6) years from the Effective Date ("**Share Scheme Period**"). The Scheme may be extended for a further period of up to four (4) years immediately from the expiry of the first six (6) years at the discretion of the Board upon the recommendation of the Scheme Committee.

4. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE LTIS

4.1. The total number of Shares which may be available under the Scheme shall not exceed in aggregate ten per cent (10%) of the issued and paid-up share capital of the Company on a fully diluted basis (excluding treasury shares, if any) (the "**Share Capital**") at any point of time during the Share Scheme Period ("**Maximum Shares**").

4.2. Subject to **By-Law 4.1**, the Company may implement more than one (1) employee share scheme provided that the aggregate number of Shares available under all the employee share schemes implemented by the Company is not more than the lower of (i) ten percent (10%) of the Share Capital or (ii) any other limit in accordance with any prevailing guideline issued by the relevant authorities as amended.

4.3. Notwithstanding anything set out in these By-Laws, if by reason of a purchase by the Company of its own shares or the undertaking by the Company of any corporate proposal (each an "**Event**"), the total number of Shares which may be issued or made available under the Share Option(s) and Share Grant Agreement(s) shall exceed in the aggregate ten per cent (10%) of the Share Capital, then the Share Option(s) and/or Share Grant Agreement granted or entered prior to the relevant Event shall remain valid and exercisable in accordance with the provisions of the Scheme. However, no additional Share Option Offer(s), Share Grant Offer(s), Share Option(s) and/or Share Grant Agreement(s) (where applicable) shall be made, granted or entered, unless the total number of Shares which may be issued or made available under the Scheme shall fall below ten per cent (10%) of the Share Capital.

4.4. For the avoidance of doubt, any Share Option Offer and/or Share Grant Award that is not accepted by any Eligible Employee pursuant to these By-Laws will be added back to the number of Shares available to be awarded as described in **By-Laws 4.1 and 4.2** above.

5. MAXIMUM ALLOWABLE ALLOCATION AND THE BASIS OF ALLOCATION

5.1. The aggregate number of Shares comprised in the LTIS to be granted to any one (1) of the Eligible Employees at any time shall be at the recommendation of the Scheme Committee after taking into account the Performance Targets during the Performance Period and/or such other criteria as the Scheme Committee may decide in its discretion (subject always to these By-Laws and any applicable law) and subject to the final approval by the NRC.

Subject to the foregoing provisions of this **By-Law 5.1** and any adjustment which may be made pursuant to **By-Law 6**, the actual number of Shares comprised in the LTIS to be granted to the Eligible Employee shall be as determined by the Scheme Committee and subject to the final approval by the NRC.

However, subject to any adjustments which may be made under **By-Law 6**, the allocation to any one Participant who, either singly or collectively through Persons Connected (as defined under the Listing Requirements) with the Participant, holds 20% or more of the Share Capital, does not exceed 10% of the total number of Shares to be issued and awarded under the LTIS or any other share issuance schemes implemented or to be implemented by the Company ("**Maximum Allowable Allocation**").

5.2. The Company and/or the Scheme Committee shall ensure that the Share Option(s) and/or Share Grant Award(s) to the Participants is verified at the end of each financial year of the Company by the NRC as being in compliance with these By-Laws.

5.3. For the avoidance of doubt, the Scheme Committee shall have sole and absolute discretion in determining whether the LTIS is to be offered to the Eligible Employees via a single grant at a time determined by the Scheme Committee or several grants where the allotment and issuance of the Share Option(s) and/or Share Grant Shares will be staggered or made in tranches at such times determined by the Scheme Committee and set out in the Share Vesting Schedule.

6. ALTERATION IN SHARE CAPITAL

6.1. If there is any variation in the capital structure of the Company during the Share Scheme Period, the Scheme Committee may, with the approval of the Board, appropriately adjust the number of Shares and/or Share Options contained in the LTIS to be granted pursuant to this LTIS and/or the Share Option Price, subject always to applicable laws and listing requirements.

6.2. In the event of any such transaction or event, the Scheme Committee, in its discretion, may provide in substitution for any or all outstanding Share Option(s) and/or Share Grants pursuant to Share Agreement(s) under the Scheme such alternatives as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender or cancellation of all outstanding Share Option(s) or Share Grant Agreement(s). If the Scheme Committee decides that no adjustments will be made, the Scheme Committee shall inform the Share Option Holders and Share Grant Participant of this decision through an announcement to be made in such manner deemed appropriate by the Scheme Committee.

6.3. For the avoidance of doubt, the following (whether singly or in combination) shall not be regarded as circumstances requiring adjustment of the number of Shares and/or Share Options and/or the Share Option Price:

(i) an issue of securities as consideration for an acquisition or acquisitions, as the case may be;

(ii) an issue of securities due to compliance with any terms of licence or laws applicable to the Company;

(iii) any special issue of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation;

(iv) any private placement or restricted issue of new Shares or other securities by the Company;

(v) any implementation of a Share buy-back arrangement by the Company under the Act;

(vi) any issue of warrants, convertible loan stocks or other instruments by the Company that gives a right of conversion into Shares or other securities (other than rights issue or bonus issue), and any issue of new Shares or other securities arising from the exercise of any conversion rights attached to such convertible securities; and

(vii) any issue of new Shares upon the exercise of the Share Options or vesting of Shares under a Share Grant.

6.4. The alterations as set out in this **By-Law 6** shall be in such a manner or formula as to give the Participant a fair and reasonable entitlement under the Share Grant and Share Option Offer, as certified in writing (other than for adjustments made pursuant to a bonus issue, subdivision or consolidation of shares in respect of which no certification is required as provided under the Listing Requirements) by the Auditor or Adviser of the Company (acting as an expert and not as an arbitrator) as being in its opinion fair and reasonable and such certification shall be final and binding in all respects, provided that:

(i) upon any adjustment being made pursuant to these By-Laws, the Scheme Committee shall, within thirty (30) calendar days, notify the Participant in writing of the event giving rise to the adjustment, the adjusted number of Shares contained in the Share Grant Award or the adjusted number of Options contained in the Share Option Offer (as the case may be), the adjusted Share Option Price and the effective date of such adjustment; and

(ii) in the event that a fraction of a Share or Share Option arising from the adjustments referred to in this **By-Law 6** would otherwise be required to be issued upon the vesting of Shares or Share Options, the Participant's entitlement shall be rounded down to the nearest whole number.

Unless otherwise determined by the Scheme Committee, the adjustments pursuant to this **By-Law 6** shall be effective on the day immediately following the book closure date for the event giving rise to that adjustment.

7. ELIGIBILITY

Subject to the determination of the Scheme Committee, any Eligible Employee who meets the following criteria as at the Share Grant Date or Share Option Offer Date (as the case may be) shall be eligible for consideration and selection as a Participant by the Scheme Committee if:

(i) he/she is a Malaysian citizen or a foreigner employed by the Group;

(ii) he/she is at least 18 years of age;

(iii) he/she is neither an undischarged bankrupt nor subject to any bankruptcy proceedings;

(iv) he/she has been employed on a full time basis or is serving in a specific designation under any employment contract with, and is on the payroll of, any Group Company;

(v) he/she is a confirmed employee;

(vi) he/she remains an employee of the Group and has not given any notice of resignation or received a notice of termination or has otherwise ceased or had his/her employment terminated;

(vii) he/she falls within any other eligibility criteria as may be determined by the Scheme Committee; and

(viii) he/she is also required to be an executive director or an employee of any Group Company holding a senior position or such position as may be designated by the Scheme Committee. For the avoidance of doubt, non-executive directors will not be eligible.

For the avoidance of doubt, the selection of any Eligible Employee as a Participant shall be made by the Scheme Committee, whose decision shall be final, binding and conclusive. The Scheme Committee may determine any other eligibility criterion or waive any eligibility criterion, for the purposes of selecting an Eligible Employee at any time and from time to time.

Eligibility under this LTIS does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under this LTIS.

An Eligible Employee is eligible to participate in both or any of the Share Option Scheme and the Share Grant Scheme.

In the case where a Participant is transferred from a company within the Group to a corporation which is not within the Group, that employee may, at the absolute discretion of the Scheme Committee (who may in doing so impose such terms and conditions as it deems fit and appropriate), continue to be entitled to all of his rights in respect of his accepted Share Option Offer and/or Share Grant Award, subject to these By-Laws.

8. LTIS GRANT AND PERFORMANCE TARGETS FOR VESTING

8.1. The Scheme Committee may from time to time during the Share Scheme Period, award the Share Option Offer(s) and/or Share Grant Award(s) to the Eligible Employees to participate in this LTIS pursuant to this **By-Law 8**.

8.2. The Scheme Committee may make additional Share Option Offer(s) and/or Share Grant Award(s) to Eligible Employees at any time as it deems fit and proper provided always that the aggregate number of Shares comprised in the LTIS shall not exceed the Maximum Shares and that no Share Option(s) or Share Grant(s) shall vest on a Share Scheme Vesting Date which falls after the expiry of the Share Scheme Period.

8.3. The vesting of the Share Option(s) may be subject to the fulfillment by the Group Company and/or the Eligible Employee (as the case may be) of Performance Targets during the Performance Period and/or such other conditions, as may be determined by the Scheme Committee, and approved by the NRC.

8.4. The determination as to whether the Performance Targets have been fulfilled shall be made by the NRC at the expiry of the Performance Period.

8.5. Where the NRC has made the determination that the Performance Targets and/or such other conditions imposed, if any, have been fulfilled pursuant to **By-Laws 8.3**, the Scheme Committee shall notify the Participant of the number of Share Option(s) which will be vested on the Share Option Vesting Date.

8.6. If the Performance Targets and/or other conditions imposed (if any) on the Share Option Holder cannot be achieved/satisfied upon expiry of the Performance Period, the NRC may, in its sole and absolute discretion, determine the number of Share Option(s) which will be vested to such Share Option Holder on the Share Option Vesting Date.

8.7. Upon acceptance of the Share Option Offer and/or Share Grant in accordance with **By-Law 10**, the Eligible Employee shall be referred to as a Participant for the purposes of these By-Laws.

8.8. Each Eligible Employee (including Participants) shall not disclose the details of their Share Option Offer and/or Share Grant to any other employees of the Group or third parties unless required by the Scheme Committee for purposes of effecting this LTIS and such other administrative matters that the Scheme Committee may in its sole and absolute discretion determine.

9. TERMS OF THE AWARD

The Scheme Committee may also at any time and from time to time recommend to the Board of the Company on any addition, amendment and/or modification to and/or deletion of these By-Laws as it shall in its discretion think fit and the Board shall at any time and from time to time have the power by resolution to add to, amend, modify and/or delete all or any part of these By-Laws upon such recommendation, subject to compliance with the Listing Requirements and the approvals of any other authorities (if required).

The Scheme Committee may do all such acts and things to rectify such error or omission including, but not limited to, all acts and things to ensure that the Eligible Employee is given the opportunity to participate in the Scheme and/or to withdraw the award given to the Eligible Employee who was erroneously selected as Participant and/or the aggregate number of Shares to which the Participant is correctly entitled to.

The Scheme Committee may in its discretion by notice in writing to any Participant, waive any condition stipulated in the award for a Share Option(s) Offer and/or Share Grant Award.

In the event of an error in any particulars referred to in this or otherwise in the Share Option Offer(s) and/or Share Grant Award, the Scheme Committee may, with the approval of the NRC, to the extent permitted by law, issue a supplemental Share Option Offer(s) and/or Share Grant Award(s) stating the correct particulars referred to in this **By-Law 9**.

10. ACCEPTANCE OF THE AWARD

10.1. The Share Option Offer and the Share Grant Award shall be accepted by the Eligible Employee in accordance with **By-Law 34** and **By-Law 38.1** respectively.

10.2. If the Eligible Employee fails to accept the Share Option Offer or the Share Grant Award (as the case may be) in the manner prescribed under these by-Laws, the Share Option Offer or the Share Grant Award (as the case may be) shall automatically lapse and be null and void and of no effect and as provided in **By-Law 4.4** and the new Shares comprised in such Options or Share Grants may, at the discretion of the Scheme Committee, be re-awarded to other eligible Employees for acceptance.

11. VESTING CONDITIONS AND VESTING

11.1. The Share Option(s) and the Share Grant will vest in such manner as the Scheme Committee may in its discretion determine, as set out in the Share Option Offer or Share Grant Letter (as the case may be) (the "**Share Vesting Schedule**") provided that the vesting conditions as set out in the Share Option Offer or the Share Grant Letter (as the case may be), are fully and duly satisfied and met on the Share Option Vesting Date or the Share Grant Vesting Date (as the case may be) and as may be determined by the Scheme Committee and, unless the Scheme Committee decides otherwise in its sole discretion:

(i) the Participant must remain in employment with the Group Company as at the relevant Share Option Vesting Date or the Share Grant Vesting Date (as the case may be) (whether employed on a full time basis or serving in a specific designation under employment contract for a fixed duration) and shall not have given a notice of resignation or received a notice of termination as at each of the Share Option Vesting Date or Share Grant Vesting Date (as the case may be) save and except as may be provided under these By-Laws;

(ii) the Participant is not enrolled in any performance improvement programme as may be required by a Group Company. The vesting of Share Option(s) or Share Grant (as the case may be) shall be suspended until the Participant has completed the performance improvement programme to the satisfaction of the Scheme Committee in its sole discretion. The Share Option(s) or Share Grant (as the case may be) shall be vested to the Participant upon such satisfaction on the Share Option Vesting Date or Share Grant Vesting Date (as the case may be) next occurring; and

(iii) the Participant is not an undischarged bankrupt as at the relevant Share Option Vesting Date or Share Grant Vesting Date (as the case may be) under the laws to which he is subjected to and shall not have received any notice that a bankruptcy proceeding is being instituted/threatened to be instituted against him as at such Share Option Vesting Date or Share Grant Vesting Date (as the case may be).

11.2. Within thirty (30) days from the Share Option Vesting Date, the relevant Option(s) shall be issued to the Participant. The Company shall within eight (8) Market Days of the receipt of the notice of exercise of Share Options together with the requisite payment (or such other period as may be prescribed or allowed by Bursa Securities):

(i) crediting the relevant number of Shares into the Participant's CDS Account as notified by the Participant in writing to the Company;

(ii) despatch a notice of transfer of such Shares to the Participant; and

(iii) make an application for the listing of and quotation for such relevant number of Shares (where applicable).

11.3. In respect of Shares which are vested to a Participant on the Share Grant Vesting Date, the Scheme Committee shall procure the following, on or before the relevant Share Grant Vesting Date but not later than eight (8) Market Days after the relevant Share Grant Vesting Date, as the case may be (or such period as may be prescribed or allowed by Bursa Securities):

(i) crediting the relevant number of Shares into the Participant's CDS Account as notified by the Participant in writing to the Company;

(ii) despatch a notice of transfer of such Shares to the Participant; and

(iii) make an application for the listing of and quotation for such relevant number of Shares (where applicable).

12. RANKING OF SHARES

The Shares to be allotted and issued pursuant to the vesting of a Share Grant Award or exercise of an Option shall:

(i) be subject to the laws of Malaysia and all the provisions of the Constitution; and

(ii) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the date the Shares are allotted and issued to the respective Eligible Employees pursuant to vesting of a Share Grant Award or an exercise of the Options and shall in all other respects rank pari passu with other existing Shares then in issue.

13. TERMINATION OF SHARE AWARDS

13.1. Any unaccepted Share Option(s) Offer or Share Grant Award shall upon the expiry of the Share Option Period or Share Grant Period (as the case may be) forthwith lapse without any liability to or right to claim against the Company and its officers, servants and agents, the Board, the NRC and/or the Scheme Committee.

13.2. In the event of a Good Leaver or a divestment pursuant to **By-Law 17**:

(i) in relation to any unaccepted Share Option(s) and Share Grant, the Scheme Committee may in its sole and absolute discretion permit the acceptance of the same subject to such terms and conditions as may be prescribed by the Scheme Committee;

(ii) in relation to Shares comprised in an unvested Share Grant, the Scheme Committee may in its sole and absolute discretion permit the prorated vesting of the Share Grant in the Participant at any time subject to such terms and conditions as may be prescribed by the Scheme Committee; or

(ii) in relation to Shares comprised in unvested Share Option(s), the Scheme Committee may in its sole and absolute discretion permit the vesting of the Share Option(s) in the Participant at any time subject to such terms and conditions as may be prescribed by the Scheme Committee.

In the event the Scheme Committee does not exercise its direction to permit the above mentioned vesting, any unaccepted Share Option(s) and Share Grant and any unvested Share Option(s) and Share Grant in respect of such Good Leaver shall forthwith lapse and/or be deemed to be cancelled and/or cease to be a capable of vesting on such Good Leavers without any liability to or right to claim against the Company, the Board, the NRC and the Scheme Committee.

In the event of death of the Participant, **By-Laws 13.1 and 13.2** shall apply mutatis mutandis to the Participant's legal or personal representatives as if the Participant's legal or personal representatives were the Participant and subject to such terms and conditions as may be prescribed by the Scheme Committee.

13.3. In the event of a Poor Leaver, liquidation of the Company or bankruptcy of a Participant, with effect from the date of such termination or cessation of employment or engagement with the Group Company, any unvested Share Option(s) and Share Grant and unaccepted Share Option(s) and Share Grant in respect of the Poor Leaver shall forthwith lapse and be null and void and/or be deemed to be cancelled and/or cease to be a capable of vesting on such Poor Leaver without any liability to or right to claim against the Company, the Board, the NRC and the Scheme Committee.

13.4. For the purposes of **By-Laws 13.2 and 13.3**, the Scheme Committee has the absolute discretion to determine whether a Participant is a Good Leaver or Poor Leaver, with the exception of the top 10 earners which shall be decided by the NRC and whose decision shall be final and conclusive and shall not be subject to challenge in any court or forum.

14. TERMINATION OF THE LTIS

14.1. Notwithstanding anything to the contrary herein stated or as set out in these By-Laws and subject always to the applicable laws and the relevant regulatory authorities' guidelines or directives, the Company may terminate the Scheme at any time during the Scheme Period as the Company deems appropriate provided that the Company makes any announcement immediately of the termination to Bursa Securities; whereupon any unvested Share Grant and Options which have yet to be vested (fully or partially) or vested but remained unexercised or partially exercised, shall be deemed to have been cancelled and be null and void and of no further force and effect.

15. DISCIPLINARY PROCEEDINGS

15.1. If an Eligible Employee is subjected to Disciplinary Proceedings after a Share Option Offer or Share Grant Award (as the case may be) is made but before the acceptance of the same by such Eligible Employee, the Share Option Offer or Share Grant Award (as the case may be) shall be deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the Scheme Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the Disciplinary Proceedings made or brought against the Eligible Employee. Nothing herein shall prevent the Scheme Committee (but the Scheme Committee shall not be obliged to do so) from making a fresh Share Option Offer or Share Grant Award to such Eligible Employee if such Disciplinary Proceedings are not taken against him or if such Disciplinary Proceedings are subsequently withdrawn provided that such Share Option Offer or Share Grant Award is made within the Share Scheme Period.

15.2. If a Participant is subjected to Disciplinary Proceedings, the right of such Participant to be vested with any Option, allotted and issued any Shares pursuant to an exercise of an Option or vested with any Share Grant shall be suspended pending the outcome of the Disciplinary Proceedings unless otherwise decided by the Scheme Committee who may in so doing, impose such terms and conditions as it deems fit and appropriate having regard to the nature of the Disciplinary Proceedings made or brought against the Participant. Nothing herein shall prevent the Scheme Committee (but the Scheme Committee shall not be obliged to do so) from making a fresh Share Option Offer or Share Grant Award and/or reinstating the right of the Participant to exercise any vested Option yet to be exercised and/or to have any Share Grant or Option vested in the event that such Disciplinary Proceedings are not decided against him or if such Disciplinary Proceedings are withdrawn provided that such Share Option Offer or Share Grant Award and/or reinstatements is made within the Share Scheme Period.

15.3. If the Participant is found guilty, resulting in his dismissal or termination of service, the Share Option(s) and/or Share Grant Award shall immediately lapse without further notice, upon pronouncement of the dismissal or termination of service.

15.4. In the event the misconduct on the part of the Participant is proven at any Disciplinary Proceedings but does not result in the dismissal or termination of the Participant, the Scheme Committee shall decide on a case to case basis at its sole and absolute discretion whether to reinstate the right of the Participant to exercise any vested Option yet to be exercised and/or to have any Share Grant or Option vested.

16. CHANGE OF CONTROL

16.1. In the event of an acquisition of more than 50% of the issued share capital of the Company by any person:

(i) all unvested Share Grants shall vest immediately prior to the closing of the acquisition and the Participants shall receive cash consideration in lieu of the Award Shares; and

(ii) all unvested Share Options shall vest immediately prior to the closing of the acquisition.

16.2. In the event of an acquisition of less than 50% of the issued share capital of the Company by any person, the Scheme shall continue to be executed in accordance with these By-Laws.

17. DIVESTMENT FROM GROUP

If a Participant is in the employment of a Group Company which ceases to be a Group Company due to a subsequent disposal or divestment (in whole or in part) from the Group, unless otherwise decided by the Scheme Committee in its sole discretion (who may in so doing, impose such terms and conditions as it deems fit and appropriate), such Participant:

(i) shall be entitled to retain the Share Option(s) and/or Share Grant which were granted and vested in the Participant under this LTIS as from the date of completion of such divestment; but

(ii) shall not be eligible to any grant of further Share Option Offer and/or Share Grant Award but shall be entitled to the vesting of any unvested Share Option(s) and/or Share Grant as from the date of completion of such divestment.

For the purposes of this **By-Law 17**, a Group Company shall be deemed to be divested from the Group or disposed of, from the Group if the effective interest of the Company in such Group Company is reduced from above fifty per cent (50%) to fifty per cent (50%) or below, such that such Group Company would no longer be a Subsidiary of the Company.

18. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, MERGER, ETC.

In the event of the court sanctioning a compromise or arrangement between the Company and its members for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other company or companies or the Company decides to amalgamate or merge with other company or companies (other than a takeover which is set out under **By-Laws 36 and 42**), the Scheme Committee may permit the vesting of unvested Share Option(s) and/or Share Grant (or any part thereof) in the Participant or the Participant's legal and personal representatives, as the case may be, at any time subject to such terms and conditions as may be prescribed notwithstanding that:

(i) the Share Option Vesting Date or Share Grant Vesting Date (as the case may be) is not due or has not occurred; or

(ii) other terms and conditions set out in the Share Option Offer and/or Share Grant Letter (as the case may be) have not been fulfilled/satisfied.

19. MULTIPLE JURISDICTIONS

19.1. In order to facilitate the making of any Share Option(s) and/or Share Grant Award (and/or the benefit thereof) under the LTIS, the Scheme Committee and/or the Board may provide for such special terms to apply to any Share Option(s) and/or Share Grant to Participants who are employed by a Group Company in any particular jurisdiction, or who are nationals or any particular jurisdiction that is outside Malaysia, as the Scheme Committee and/or the Board may consider necessary and/ or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Scheme Committee and/or the Board may approve such supplements to or amendments, restatement or alternative versions of this LTIS as it may consider necessary and/ or appropriate for such purposes, without thereby affecting the terms of this LTIS as is in effect for any other purpose. No such special terms, supplements, amendments or restatement, however, shall include any provision that is inconsistent with the terms of this LTIS as then in effect unless this LTIS could have been amended to eliminate such inconsistency.

19.2. Any Participant to whom the Share Option(s) and/or Share Grant Award is offered, is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they accept the Share Option Offer or Share Grant Award (as the case may be). By their acceptance of the Share Option Offer or Share Grant Award (as the case may be), each Participant represents, warrants and agrees that he has and will continue to observe all applicable laws and regulations in the jurisdiction in which he accepts the Share Option Offer and/or Share Grant Award.

20. ADMINISTRATION

20.1. This LTIS shall be administered by the Scheme Committee consisting of such persons appointed by the Board from time to time.

20.2. Subject to these By-Laws (including but not limited to **By-Law 20.3**), the Scheme Committee may, for the purpose of administering this LTIS, do all acts and things and enter into any transaction, agreement, deed, document or arrangement, and make such rules and regulations, impose such terms and conditions, appoint any adviser, agent, trustee or nominee to facilitate the implementation and operation of this LTIS, and/or delegate all or any part of its powers or duties relating to this LTIS which the Scheme Committee may in its sole and absolute discretion consider to be necessary or desirable for giving full effect to this LTIS.

20.3. Unless these By-Laws expressly provide for the Board approval to be obtained, where these By-Laws provide that any discretion is to be exercised by the Scheme Committee or the NRC, that discretion may be exercised by the Scheme Committee or the NRC in its sole and absolute discretion.

21. MODIFICATION AND/OR AMENDMENT OF THESE BY-LAWS

The terms and conditions of these By-Laws and this LTIS may from time to time be modified and/or amended by resolution of the Board without the need for prior approval of the Company's members in a general meeting, except that (unless expressly provided in these By-Laws) no such modification and/or amendment shall be made which would either materially prejudice the rights then accrued to any Participant without his prior written consent or which would alter to the advantage of the Participant in respect of any provision of these By-Laws without the prior approval of the Company's members in general meeting and subject to any applicable laws.

If any provision of these By-Laws is or becomes inconsistent with the Listing Requirements, these By-Laws is deemed not to contain that provision to the extent of the inconsistency.

22. COSTS, EXPENSES AND TAXES

22.1. All administrative costs and expenses incurred in relation to this LTIS, including but not limited to the costs and expenses relating to the allotment and issue and/or ad valorem stamp duty relating to the transfer of the Shares pursuant to the Share Grant Scheme shall be borne by the Company.

22.2. For the avoidance of doubt, unless stated otherwise in this LTIS, all other costs, fees, levies, charges and/or taxes (including, without limitation, income taxes) that are incurred by a Participant pursuant or relating to the holding or dealing of the Award Shares or Options including (but not limited to the stamp duty) shall be borne by the Participant for his or her own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

23. LTIS NOT A TERM OF EMPLOYMENT

This LTIS shall not form part of, constitute or in any way be construed as any term or condition of employment of any Eligible Employee or Participant. This LTIS shall not confer or be construed to confer on any Eligible Employee or Participant any special right or privilege over and above the Eligible Employee's or Participant's terms and conditions of employment under which that Eligible Employee or Participant is employed.

24. DISCLAIMER OF LIABILITY

Notwithstanding any provision contained herein, and subject to all applicable laws, the Board, the Scheme Committee, the NRC, the Company and its officers, servants and agents, shall not, under any circumstance whatsoever and in any event, be held liable howsoever for any damage, cost, loss and expense whatsoever and howsoever arising, including but not limited to the Company's delay in allotting and/or issuing of the Shares under the LTIS or in applying for or procuring the listing of the Shares on Bursa Securities.

25. NOTICE

Any notice under the LTIS required to be given to or served upon an Eligible Employee or Participant shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by electronic mail, by facsimile transmission and/or by letter sent via ordinary post addressed to the Eligible Employee or Participant at his place of employment, to his electronic mail address, at his last facsimile transmission number known to the Company, or to his last-known address. Any notice served by hand, by electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and duly acknowledged, (if by electronic mail) the dispatch of the electronic mail without an automatic notification that the email cannot be received by the intended recipient, and (if by post) three days after delivery by normal postage.

Any notice under the LTIS required to be given to or served upon the Board, the NRC and/or the Scheme Committee by an Eligible Employee or Participant shall be given, served or made in writing and delivered by hand or by registered post to the registered office of the Company (or such other office or place which the Board, the NRC and/or the Scheme Committee may have stipulated for this purpose) and marked 'Private and Confidential, for the attention of 'the Chief People & Culture Officer'.

26. THE CONSTITUTION

Notwithstanding the terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution, the provisions of the Constitution shall prevail at all times.

27. ERRORS AND OMISSIONS

If in consequences of an error or omission, the Scheme Committee discovers/determines that: (i) an Eligible Employee who was selected by the Scheme Committee as a Participant, has not been given the opportunity to participate in the LTIS on any occasion; or (ii) the number of Share Option(s) and/or Share Grant allotted and issued to any Participant on any occasion is found to be incorrect; and such error or omission cannot be corrected within the relevant period specified in the LTIS, the Scheme Committee may do all such acts and things to rectify such error or omission and ensure that the Eligible Employee is given the opportunity to participate in the LTIS and/or the aggregate number of Share Option(s) and/or Share Grant to which the Participant is correctly entitled is to be allotted and issued.

28. DISPUTES

In the event of a dispute between the Scheme Committee with an Eligible Employee or a Participant as to any matter or thing of any nature arising hereunder, such dispute or difference shall be referred to the NRC. The NRC shall determine such dispute or difference by a written decision (without the obligation to give any reason for the same) given to the Eligible Employee or a Participant, as the case may be. The said decision of the NRC shall be final, binding and conclusive on the parties and shall not be subject to any review or challenge by the Eligible Employee or a Participant in any court of law or forum.

29. COMPENSATION

29.1. An Eligible Employee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit, or prospective right or benefit, under this LTIS which he might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal, unfair dismissal, breach of contract or by way of compensation for loss of office or otherwise.

29.2. No Eligible Employee or Participant, or legal or personal representative therefore, shall bring any claim, action or proceeding against the Company and its officers, servants or agents, the Board, the NRC, the Scheme Committee or any other party for any compensation, loss or damages whatsoever and howsoever arising from the suspension or cessation of the vesting of Share Option(s) and/or Share Grant, his Options or Share Grant not vesting for any reason whatsoever, and/or his Options or Share Grant ceasing to be valid pursuant to the provisions of these By-Laws, or any termination of the LTIS herein provided.

30. GOVERNING LAW

The LTIS shall be governed by, and construed in accordance with, Malaysian law and each Participant irrevocably submits to the non-exclusive jurisdiction of the Malaysian courts with respect to any dispute or claim which may arise out of or in connection with the LTIS.

31. SEVERABILITY

Any term, condition, stipulation, and/or provision in these By-Laws which is adjudged to be illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability, but the same shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation, provision contained in these By-Laws.

In interpreting these By-Laws, the contra proferentum rule shall not apply, nor shall any similar rule or approach to interpretation.

In interpreting these By-Laws, the expressio unius est exclusio alterius (i.e. the express mention of one thing excludes all others) principle shall apply.

These By-Laws supersede and replace all previous oral or written agreements, memoranda, correspondence or other communications between the Company and Eligible Employee or Participant relating to the subject matter hereof.

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PART B: SHARE OPTION SCHEME

32. SHARE OPTION OFFER

32.1. The Scheme Committee may, within the Scheme Period, at its discretion (after taking into account the Performance Targets and/or such other criteria, as the Scheme Committee may decide) make a Share Option Offer to any Eligible Employee whom the Scheme Committee may in its discretion select during the duration of the Scheme Period.

32.2. Nothing herein shall prevent the Scheme Committee from making more than one Share Option Offer to any Eligible Employee PROVIDED ALWAYS THAT the total aggregate number of Shares to be allotted to any Eligible Employee (inclusive of Shares allotted pursuant to previous Share Option Offers under the LTIS and other share issuance schemes implemented or to be implemented by the Company, if any) shall not exceed the Maximum Allowable Allocation of each Eligible Employee.

32.3. Each Share Option Offer shall be made in writing by the Scheme Committee.

32.4. Each Share Option Offer may include, the following particulars in the letter of offer:

(i) number of Share Options that are being offered to the selected Eligible Employee;

(ii) number of Shares which the selected Eligible Employee shall be entitled to subscribe for upon exercise of the Share Option upon satisfying the conditions set out in the Share Option Offer;

(iii) Share Option Period;

(iv) Share Option Price;

(v) Share Option Offer Date;

(vi) Share Option Offer Period;

(vii) Performance Targets;

(viii) Performance Period; and

(ix) any other condition which the Scheme Committee may determine from time to time in relation to that Share Option Offer.

33. SHARE OPTION PRICE

33.1. The price at which an Share Option Holder is entitled to subscribe for each Share shall be based on the five (5) day volume weighted average market price of the Shares immediately preceding the Share Option Offer Date and may be at a discount (as determined by the Scheme Committee or such other pricing mechanism as may from time to time be permitted by Bursa Securities or such other relevant regulatory authorities), provided that the discount shall not be more than 10% (or such other percentage of discount as may be permitted by Bursa Securities and any other relevant authorities from time to time) from the abovementioned five (5) day volume weighted average market price of the Shares.

34. ACCEPTANCE OF THE SHARE OPTION OFFER

34.1. The Share Option Offer shall be valid for acceptance for the Share Option Offer Period. The acceptance of a Share Option Offer shall be made by way of a written notice from the Eligible Employee to the Scheme Committee in the form prescribed by the Scheme Committee from time to time. In the event that the Eligible Employee fails to accept the Share Option Offer within the prescribed period, the Share Option Offer shall automatically lapse and shall then be null and void PROVIDED THAT the Scheme Committee shall not be precluded from making a new Share Option Offer to the Eligible Employee subsequently.

34.2. Acceptance of the Share Option Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) as non-refundable consideration for the grant of the Share Option.

34.3. Within thirty (30) days after the due acceptance of the Share Option Offer in accordance with the provisions of By-Law, the Scheme Committee may, at its sole discretion, issue to the Share Option Holder a certificate of Share Option in such form as may be determined by the Scheme Committee from time to time. The Share Option may include in the certificate, the following:

(i) number of Share Options;

(ii) number of Shares entitled to be subscribed for upon exercise of the Share Option upon satisfying the conditions set out in the Share Option Offer;

(iii) Share Option Period;

(iv) Share Option Price;

(v) Date of grant of Share Option;

(vi) Performance Targets;

(vii) Performance Period;

(viii) any other condition which the Scheme Committee may determine from time to time in relation to that Share Option Offer; and

(ix) the Share Option shall be subject to the terms of these By-Laws.

34.4. Unless otherwise provided in these By-Laws, an Share Option shall be personal to the Share Option Holder and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever unless **By-Laws 13.2 or 36.2** applies.

35. EXERCISE OF SHARE OPTION(S)

35.1. The Scheme Committee may, by giving notice in writing to Share Option Holders, vary or waive the terms of any Performance Targets, Performance Period or other conditions or include additional conditions, as will be used to determine the number of Share Options to be vested on such Share Option Holders on any Share Option Vesting Shares Date.

35.2. The determination whether the Share Option Holder has achieved the stipulated conditions or his/her Performance Targets (if any) during the Performance Period and the value created therein shall be determined by the Scheme Committee and approved by the NRC.

35.3. Based on the determination pursuant to **By-Law 35.2**, the Scheme Committee shall determine the number of Options to be vested on that Share Option Holder subject to the Maximum Allowable Allocation and **By-Law 4**.

35.4. As soon as practicable after a determination is made pursuant to **By-Laws 35.2 and 35.3** to vest the Options, the Scheme Committee shall notify each Share Option Holder the:

(i) number of Options to be vested to him/her;

(ii) the retention period for those Shares to be issued and allotted upon exercise of the vested Options (if any);

(iii) Share Option Shares Vesting Date (where applicable);

(iv) Share Option Price;

(v) Share Option Period; and

(vi) any other conditions of the vesting of the Options and Shares to be issued and allotted upon exercise of the vested Options.

35.5. Subject to **By-Laws 35.6 and 35.7**, a vested Share Option may be exercised by the Share Option Holder by notice in writing to the Company through the Scheme Committee in the prescribed form from time to time during the Share Option Period. A vested Option may be exercised in such manner and subject to such conditions as stipulated in the Share Option Offer in respect of such lesser number of new Shares as the Share Option Holder may decide to exercise PROVIDED ALWAYS that the number shall be in multiples of and not less than one hundred (100) Shares, SAVE AND EXCEPT where a Share Option Holder's balance of Shares exercisable in accordance with these By-Laws shall be less than one hundred (100), in which case the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of a vested Option shall not preclude the Share Option Holder from exercising the Option as to the balance of any new Shares, if any, which he is entitled to subscribe under the LTIS.

35.6. Subject to **By-Law 4**, the Scheme Committee may, at any time and from time to time, after a Share Option is granted, permit a Share Option Holder to exercise one hundred percent (100%) of his/her Share Option(s) at any time during the Share Option Period.

35.7. A Share Option Holder who is foreign shall be entitled to exercise such percentage of the Share Option(s) vested to him as may be determined by the Scheme Committee at its discretion.

35.8. Every notice referred to in **By-Law 35.5** must be in the form prescribed by the Scheme Committee from time to time and accompanied by a remittance for the full amount of the Option Price in respect of which notice is given.

35.9. A Share Option Holder who exercises his/her vested Share Option shall provide the Scheme Committee with his/her CDS account number or the CDS account number of his/her authorised nominee, as the case may be, in the notice referred to in **By-Law 34.1**.

35.10. No vested Share Option(s) shall be exercisable after the expiry of the Share Option Period.

35.11. Subject to the discretion of the Scheme Committee, failure by the Share Option Holder to comply with the procedure for an exercise of a vested Share Option as stipulated in **By-Laws 35.5 and 35.9** will invalidate the purported exercise of such vested Share Option by that Share Option Holder.

35.12. Every Share Option shall be subject to the condition that no Shares shall be issued and allotted or transferred to a Share Option Holder pursuant to the exercise of a vested Share Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Share Option Period or such period as may be extended.

36. TAKEOVER

36.1. In the event of:

(i) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror); or

(ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of the Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Company that it intends to exercise such right on a specific date;

the Scheme Committee may, upon such terms and conditions as may be set out,

(a) if there remains unvested Share Option(s), allow for such number of Share Options to be immediately vested on the Share Option Holder; and

(b) if, in relation to a Share Option where a determination pursuant to **By-Laws 35.2 and 35.3** has yet to be made, make such determination based on the Share Option Holder's level of achievement and vest such number of Share Options the Scheme Committee deems appropriate.

36.2. In the event of death of the Share Option Holder during the circumstances set out in **By-Law 36.1(i) or (ii), By-Law 36.1** shall apply mutatis mutandis to the Participant's legal or personal representatives as if the Participant's legal representatives were the Participant and subject to such terms and conditions as may be prescribed by the Scheme Committee.

36.3. Any Share Option which remains unexercised after the expiry of the periods stipulated in the aforesaid circumstances shall thereafter lapse and be null and void and of no effect.

PART C: SHARE GRANT SCHEME

37. SHARE GRANT OFFER

37.1. The Scheme Committee may make an offer under which:

(i) the Scheme Committee may, specify the value for the Eligible Employee;

(ii) the Scheme Committee shall specify the number of Shares which may be awarded to the Eligible Employee under the Share Grant Award;

(iii) invite such Eligible Employee to enter into the Share Grant Agreement whereupon the Scheme Committee shall agree to award Award Shares to the Eligible Employee in consideration of the Eligible Employee satisfying the conditions set out in the Share Grant Agreement and these By-Laws.

37.2. Nothing herein shall prevent the Scheme Committee from making more than one Share Grant Award pursuant to **By-Law 37.1** to any Eligible Employee PROVIDED ALWAYS THAT the total aggregate number of Shares to be allotted to any Eligible Employee (inclusive of Shares allotted pursuant to this LTIS and any other share issuance schemes implemented or to be implemented by the Company shall not exceed the Maximum Allowable Allocation of each Eligible Employee.

37.3. The Share Grant Offer under this By-Law shall be made in writing by the Scheme Committee.

38. ENTRY INTO A SHARE GRANT AGREEMENT

38.1. The Share Grant Award shall be valid for acceptance for the Share Grant Offer Period. The acceptance of the Share Grant Award shall be made by way of written notice from the selected Eligible Employee to the Scheme Committee in the form prescribed by the Scheme Committee from time to time. In the event that the Eligible Employee fails to accept the Share Grant Award within the prescribed period, the Share Grant Award shall automatically lapse and shall be then null and void and of no further effect PROVIDED THAT the Scheme Committee shall not be precluded from making a new Share Grant Award to the Eligible Employee subsequently. Acceptance of the Share Grant Award by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) (in respect of each Share Grant Award) as non-refundable consideration for the grant of the Award Shares.

38.2. The rights of the Share Grant Participant under the Share Grant Agreement shall be personal to the Share Grant Participant and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever unless **By-Laws 13.2 or 41.2** applies.

39. SHARE GRANT PRICE

39.1. Where the vesting of the Award Shares under the Share Grant Agreement (or any part thereof) are by way of cash pursuant to **By-Law 41.6**, the reference price used to determine the amount to be paid to the Participant will be based on market value of the Shares after taking into account, among others, the five (5) day volume weighted average market price of the Shares immediately preceding the relevant vesting date(s).

40. TERMS OF A SHARE GRANT AGREEMENT

40.1. A Share Grant Agreement may include the following:

(i) Share Grant Price;

(ii) number of Award Shares to be awarded under the Share Grant Agreement;

(iii) Share Grant Award Date;

(iv) Share Grant Vesting Schedule; and

(v) any other condition which the Scheme Committee may determine from time to time in relation to that Share Grant Award.

The Share Grant Agreement shall be subject to the terms of these By-Laws.

41. AWARD OF SHARES

41.1. The Scheme Committee may, by giving notice in writing to Share Grant Participants, vary or waive the any of the conditions or include additional conditions, as will be used to determine the number of Award Shares awarded or vested to such Share Grant Participants on any Share Grant Award Date or Share Grant Vesting Date.

41.2. The determination whether the Share Grant Participant has achieved the stipulated conditions and the Value created therein shall be determined by the Scheme Committee at its absolute discretion.

41.3. Upon making the determination pursuant to **By-Laws 41.2**, the Scheme Committee shall vest the Award Shares to the Participant based on the value determined under **By-Law 41.2** subject to the Maximum Allowable Allocation and **By-Law 4**.

41.4. As soon as practicable after a determination is made pursuant to **By-Laws 41.2 and 41.3** to vest the Award Shares, the Scheme Committee shall notify each Participant the:

(i) number of Award Shares vested to him;

(ii) retention period for those Award Shares (if any);

(iii) dates on which the Award Shares awarded shall vest (where applicable); and

(iv) any other conditions of the vesting of the Award Shares.

41.5. No Share Grant Participant shall have a right to require any Award Shares to be vested to him/her unless and until the Scheme Committee has made a determination under **By-Laws 41.2 and 41.3** to vest the Award Shares to him under his/her Share Grant Agreement.

41.6. The Scheme Committee may, in its sole and absolute discretion, decide that the vesting of the Award Shares under the Share Grant Agreement, be satisfied by the allotment and issuance of Award Shares or wholly in cash or a combination of allotment and issuance of Award Shares and cash payment.

42. TAKEOVER

42.1. In the event of:

(i) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of AirAsia (or such part thereof not at the time owned by the person making the general offer ("Offeror") or any persons acting in concert with the Offeror); or

(ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of the Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to AirAsia that it intends to exercise such right on a specific date;

the Scheme Committee may, upon such terms and conditions as may be set out,

(a) if there remains unvested Share Grants, allow for such number of Award Shares to be immediately vested on the Participant;

(b) if, in relation to a Share Grant Agreement where a determination pursuant to **By-Laws 41.2 and 41.3** has yet to be made, make such determination based on the Participant's level of achievement and award such number of Award Shares the Scheme Committee deems appropriate.

42.2. In the event of death of the Participant during the circumstances set out in **By-Law 41.1(i) or (ii), By-Law 41.1** shall apply mutatis mutandis to the Participant's legal or personal representatives as if the Participant's legal representatives were the Participant and subject to such terms and conditions as may be prescribed by the Scheme Committee.

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PART B

PROPOSED ACQUISITION

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout Part B of this Circular:

AAGB or Company	:	AirAsia Group Berhad [Registration No.: 201701030323 (1244493-V)], incorporated in Malaysia
AAGB Group or Group	:	AAGB and its subsidiaries, collectively
AAGB Shares or Shares	:	Ordinary shares in AAGB
Act	:	Companies Act, 2016 and any statutory modifications or amendments thereto from time to time
AIMIA or Seller	:	Aimia Holdings UK II Limited (Registration No.: 07474321), incorporated in the United Kingdom
AirAsia Digital	:	AirAsia Digital Sdn Bhd (formerly known as RedBeat Ventures Sdn Bhd) (Registration No.: 201801011060 (1273076-M)), incorporated in Malaysia
Announcement	:	The announcement dated 14 April 2021 in relation to the Proposed Acquisition
BIGLIFE	:	BIGLIFE Sdn Bhd (Registration No.: 201001040731 (924656-U)), incorporated in Malaysia
BIGLIFE Group	:	BIGLIFE and its subsidiaries, collectively
BIGLIFE Shares	:	Ordinary shares in BIGLIFE
Board	:	Board of Directors of AAGB
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
Circular	:	This Circular dated 4 June 2021
Completion	:	Completion of the Proposed Acquisition
Completion Date	:	The date on which Completion occurs
Consideration Shares	:	85,864,583 new AAGB Shares at an issue price of RM1.20 per AAGB Share
Constitution	:	Constitution of our Company
Cut-Off Date	:	5:00 p.m. on Monday, 21 June 2021 (or such other date as agreed between AAGB and the Seller)

DCAS	:	Deloitte Corporate Advisory Services Sdn Bhd (Registration No.: 199901012610 (487510-M))
Director(s)	:	Directors of our Company
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
Executive Director(s)	:	Executive directors of AAGB
FPE	:	Financial period ending
FYE	:	Financial year ended / ending, where applicable
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	24 May 2021, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per share
MOU	:	Memorandum of understanding
NA	:	Net assets
NL	:	Net liabilities
NTA	:	Net tangible assets
PAT	:	Profit after tax
PBT	:	Profit before tax
Placement Shares	:	New AAGB Shares to be issued pursuant to the Private Placement
Private Placement	:	Private placement of up to 20% of the total number of issued shares of our Company
Proposed Acquisition	:	Proposed acquisition of the remaining 20.00% equity interest in BIGLIFE from AIMIA
Proposed LTIS	:	Proposed long term incentive scheme which comprises of the Proposed ESOS and Proposed SGS
Purchase Consideration	:	RM103,037,500 to be satisfied wholly via the issuance of 85,864,583 new AAGB Shares at an issue price of RM1.20 per AAGB Share

QoQ	:	Quarter-on-quarter
RHB Investment Bank or Principal Adviser	:	RHB Investment Bank Berhad (Registration No. 197401002639 (19663-P))
RM and sen	:	Ringgit Malaysia and sen, respectively
ROI	:	Return on investment
Sale Shares	:	1,665,000 BIGLIFE Shares held by the Seller to be acquired by AAGB
SSPA	:	A conditional share sale and purchase agreement dated 14 April 2021 entered into between AAGB and AIMIA in respect of the Proposed Acquisition
Supplemental Letter	:	A supplemental letter to the SSPA dated 28 May 2021 entered into between AAGB and AIMIA for the extension of Cut-Off Date
USD	:	United States Dollar
VWAP	:	Volume-weighted average market price
YoY	:	Year-on-year

References to "**our Company**", "**we**", "**us**", "**our**" and "**ourselves**" in this Circular are to our Company.

References to "**our Group**" are to our Company and our subsidiaries. All references to "**you**" and "**your**" in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include legal entities including corporations.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any references in this Circular to the provisions of any enactment, statute, rules, regulation, rules of stock exchange or guideline shall (when the context admits) be construed as a reference to the provisions of such enactment, statute, rules, regulation, rules of stock exchange or guideline (as the case may be) as modified by any written law or (if applicable) amendments to the enactment, statute, rules, regulation, rules of stock exchange or guideline for the time being in force.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company's plans and objectives will be achieved.

AIRASIA GROUP BERHAD
[Registration No. 201701030323 (1244493-V)]
(Incorporated in Malaysia)

Registered Office

RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (klia2)
64000 KLIA
Selangor Darul Ehsan
Malaysia

4 June 2021

Board of Directors

Datuk Kamarudin bin Meranun (Non-Independent Executive Chairman)
Tan Sri Anthony Francis Fernandes (Non-Independent Executive Director and Chief Executive Officer)
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar (Non-Independent Non-Executive Director)
Dato' Fam Lee Ee (Senior Independent Non-Executive Director)
Stuart L Dean (Independent Non-Executive Director)
Dato' Mohamed Khadar bin Merican (Independent Non-Executive Director)

To: Shareholders of AirAsia Group Berhad

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 22 March 2021, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into an MOU with AIMIA in relation to the Proposed Acquisition.

On 14 April 2021, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into the SSPA with AIMIA in respect of the Proposed Acquisition to acquire the remaining 1,665,000 BIGLIFE Shares, representing 20.00% equity interest in BIGLIFE, not already held by AirAsia Digital, a wholly owned subsidiary of AAGB, for a purchase consideration of RM103,037,500 to be satisfied wholly via the issuance of 85,864,583 new AAGB Shares at an issue price of RM1.20 per AAGB Share.

On 25 May 2021, RHB Investment Bank had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 24 May 2021, resolved to approve the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 9 of Part B of this Circular.

On 28 May 2021, RHB Investment Bank had, on behalf of our Board, announced that our Company and AIMIA had by mutual agreement in writing, via the Supplemental Letter, extended the Cut-Off Date to 21 June 2021 to fulfil the condition relating to the passing at a general meeting of AAGB of the requisite resolution to approve the issuance of the Consideration Shares for the Proposed Acquisition upon the terms and conditions of the SSPA.

THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF OUR COMPANY. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED IN PART B HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF OUR COMPANY.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information

AirAsia Digital, a wholly owned subsidiary of AAGB, currently owns 6,660,002 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, not already held by AirAsia Digital, for the Purchase Consideration to be satisfied wholly by the issuance of the 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.

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, enjoinment, 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, enjoinment, 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 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 the 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.

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 (namely, breaches which took place prior to the termination). In other words, if one party decides to exercise its rights to rescind the SSPA, the SSPA shall terminate and each party to the SSPA will have no claim against the other party save for breaches which took place prior to the termination.

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 the 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:

	Direct		Indirect	
Name	**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 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 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
PBT/(LBT)	(17,847)	(23,456)	31,081
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

During the years under review:

(i) there were no exceptional and/or extraordinary items;
(ii) there have been no accounting policies adopted by BIGLIFE which are peculiar to BIGLIFE because of the nature of its business or the industry in which it is involved in; and
(iii) there have been no audit qualifications to the financial statements of BIGLIFE.

Commentary on financial information

- **FYE 31 December 2018 compared to FYE 31 December 2017**

  Our Group recorded higher revenue of RM80.5 million for the FYE 31 December 2018, compared to the revenue of RM22.1 million for the FYE 31 December 2017. This was primarily driven by the introduction of new products including BIG Deals, BIG Points as currency, BIG Points Purchase and BIG Xchange which resulted in new revenues from BIG Points Purchase and loyalty service fees.

  Our Group recorded lower LAT of approximately RM22.3 million for the FYE 31 December 2018, compared to LAT of RM26.8 million for the FYE 31 December 2017. This was mainly attributed to the substantial rise in revenue relative to its associated costs including staff costs and cost of rewards.

- **FYE 31 December 2019 compared to FYE 31 December 2018**

  Our Group recorded higher revenue of RM148.3 million for the FYE 31 December 2019, compared to the revenue of RM80.5 million for the FYE 31 December 2018. This was primarily due to rise in deferred revenue and brokerage revenue recognised in profit and loss for the year in addition to increased revenues attributed to BIG Points Purchase and loyalty service fees.

  Our Group recorded higher LAT of RM22.8 million for the FYE 31 December 2019, compared to the PAT of approximately RM22.3 million for the FYE 31 December 2018. This was mainly due to the rise in associated costs of revenue including cost of rewards, staff costs and administration expenses.

- **FYE 31 December 2020 compared to FYE 31 December 2019**

  Our Group recorded lower revenue of RM94.2 million for the FYE December 2020, compared to the revenue of RM148.3 million for the FYE 31 December 2019. This was contributed by a fall in deferred revenue recognised in profit and loss for the year in addition to reduced revenue from BIG Points Purchase and loyalty service fees.

  Our Group recorded PAT of RM31.1 million for the FYE 31 December 2020, compared to the LAT of approximately RM22.8 million for the FYE 31 December 2019. This was mainly due to the significant reduction in associated costs of revenue including cost of rewards, staff costs and administration expenses.

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$451.34 million as at the LPD. Aimia Inc. is an existing shareholder of AAGB with 35,609,826 AAGB shares held, equivalent to 0.93% of the total number of 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 approximately RM365 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 other digital initiatives and transformation plans; and

(iii) the rationale and synergistic benefits of the Proposed Acquisition.

In addition to the above, DCAS has been appointed to undertake an independent valuation of the entire equity interest in BIGLIFE. The independent valuation range is between RM463 million to RM567 million for 100.00% equity interest in BIGLIFE as at 31 December 2020, as appraised by DCAS in its valuation letter dated 6 May 2021, whom our Company had appointed to conduct the valuation. The Purchase Consideration is within the independent valuation range ascribed by DCAS.

In undertaking the independent valuation, DCAS has adopted the following key general assumptions:

(i) the valuation has been carried out on the basis that BIGLIFE is and will continue as a going concern;

(ii) there are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of BIGLIFE;

(iii) there will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, bases and rates of taxation and other lending guidelines which will affect the activities of BIGLIFE;

(iv) the cash flow projections provided are on a direct method from FYE 31 December 2021 to FYE 31 December 2030. Due to the nature of BIGLIFE's business, revenue recognition only takes place upon redemption and expiry of BIG Points whilst BIGLIFE receives cash upon issuance of BIG Points based on the respective receivable days;

(v) the management of BIGLIFE has assumed the financial performance is expected to gradually improve for the next few years recovering from the COVID-19 pandemic to the pre-COVID-19 pandemic level and further improve up to FYE 31 December 2030. Thereafter, BIGLIFE is projected to maintain at the stabilised state from the terminal year; and

(vi) the shareholding in BIGLIFE (Thailand) Co. Ltd is at 49% as the remaining 51% are held by individual shareholders who are parties related to AAGB.

In arriving at the independent valuation range, DCAS has used the Discounted Cash Flow ("**DCF**") method as the primary approach (income approach) and Guideline Public Company Method ("**GPCM**") (market approach) as a cross-check to the primary approach.

DCAS has adopted the income approach using the DCF method as the primary method in valuing BIGLIFE for the following reasons:

(i) BIGLIFE is projected to be a going concern and most of its revenue streams are projected to gradually recover and exceed the pre-COVID-19 pandemic level by the FYE 31 December 2025 and continue to grow to FYE 31 December 2030; and

(ii) throughout the projections, there is an expansion of BIGLIFE's business to other non-travel and tourism vertical such as financial services and e-commerce.

The DCF method is based on management of BIGLIFE's cash flow projections from FYE 31 December 2021 to FYE 31 December 2030. The DCF method entails (i) discounting the cash flow of BIGLIFE to present value, using the discount rates or weighted average cost of capital ("**WACC**") of between 16% and 18%; and (ii) making relevant adjustments for cash and bank balances as well as investment in quoted unit trusts.

The WACC used in the income approach was computed based on the Capital Asset Pricing Model. The assumptions adopted were based on a blended basis using the revenue contribution by major companies operating in different geographical regions. The WACC was derived based on, amongst others, the following:

(i) risk-free rate of 2.9%;

(ii) equity risk premium of 7.4%;

(iii) post-tax cost of debt of 3.5%;

(iv) debt-to-equity ratio of 0.13; and

(v) overall size and company-specific risk premium of 5.0% to 7.4%.

As a secondary method, DCAS has adopted the market approach using the GPCM as a cross-check to the results of the income approach for its reasonableness. The selected guideline public companies for the independent valuation are public listed companies operating in the Frequent Flyers Program, Online Travel Agency and general loyalty program operators. In the market approach using the GPCM, DCAS has cross-checked the implied valuation multiple Enterprise Value ("**EV**")/Revenue of 4.3 times to 5.4 times from the DCF method with the median of the last twelve months and the forward 1-year EV/Revenue multiple of guideline public companies which range from 3.9 times and 5.7 times after a size discount.

For further information on the BIGLIFE valuation, please refer to the valuation letter issued by DCAS dated 6 May 2021 as set out in Appendix B(II) of this Circular.

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 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 the announcement of the Proposed Acquisition is RM0.985.

2.7 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issue, rank equally in all respects with each other and 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

Bursa Securities had, vide its letter dated 24 May 2021, approved the listing of and quotation for the Consideration Shares to be issued under the Proposed Acquisition on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 9 of Part B of this Circular.

2.9 Liabilities to be assumed by our Company

Save for the liabilities arising from the ordinary course of business of BIGLIFE, our 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, our 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

Our Company intends to fund the Purchase Consideration through the issuance and allotment of the Consideration Shares to the Seller which will enable our Group 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 our business and working capital requirements and for future potential opportunities to expand our 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 our 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 our Group under AirAsia Digital have been on a growth trajectory with the transformation of our subsidiaries into an all-in-one digital travel and lifestyle ecosystem anchored by airasia super app platform, a single platform offering all products under our Group as well as third parties. The Proposed Acquisition would also enable us to drive greater synergies within our 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.

Additionally, our Board had also considered the following factors before embarking on the Proposed Acquisition:

(i) <u>Creating value to our Company and our shareholders</u>

As set out in Section 7.3 of Part B of this Circular, the Proposed Acquisition is expected to reduce the shareholders' deficit position of AAGB Group.

Additionally, the Proposed Acquisition is earnings accretive as the BIGLIFE Group recorded a PAT of approximately RM31.1 million for the FYE 31 December 2020. Upon Completion, BIGLIFE will become a wholly owned subsidiary of AAGB and accordingly, AAGB will consolidate in full the future earnings of BIGLIFE Group. With full ownership of BIGLIFE, our Group will have full flexibility to further drive innovation and growth of the BIGLIFE Group to continue creating more value for our Company and our shareholders.

With the steps taken by our Group to improve its financial performance and condition as set out in Section 4.4 of Part B of this Circular and the prospects of AAGB and BIGLIFE as set out in Section 4.5 of Part B of this Circular, our Board is confident that our Group will be able to turnaround our financial performance in time to come.

(ii) <u>Impact of the Proposed Acquisition on our Company and our shareholders</u>

Driven by the need to control costs over the next few years post-COVID-19, the proposed settlement of the purchase consideration for the Proposed Acquisition by way of allotment and issuance of the Consideration Shares will enable our Group to preserve our existing cash balances to fund our business and working capital requirements and for future potential opportunities to expand our existing businesses as set out in Section 2.11 Part B of this Circular. It will also eliminate the need to obtain further bank borrowings which will incur interest expense, thereby allowing us to preserve headroom to obtain bank borrowings in the future should the need arise.

Notwithstanding that the settlement by way of issuance of the Consideration Shares will result in a dilution to our shareholders' shareholdings, the dilutive effects are expected to be cushioned by the earnings contribution from the BIGLIFE Group as well as future contributions from our Group's other existing businesses/segments in time to come. Further, the issue price of RM1.20 per Consideration Share, which has taken into consideration the historical trading prices of AAGB, represents a premium over the closing market price and VWAP of AAGB Shares as set out in Section 2.6 of Part B of this Circular.

(iii) <u>Adequacy of the Proposed Acquisition in addressing the financial concerns of our Company</u>

The Proposed Acquisition is not undertaken to address the financial concerns of our Company but it is in line with our Group's emphasis on its digital transformation of our 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 our Group, with greater value to be realised upon recovery from the COVID-19 pandemic, as stated in Section 3 above.

As stated in Section 4.4 below, in addressing the financial concerns of our Company, we will continue to explore the available options and/or corporate proposals to improve our financial performance and to address our cash flow position.

4. INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical and electronic ("**E&E**") products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order ("**MCO 2.0**") and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March 2021, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

Domestic demand recorded a smaller decline of 1.0% (4Q 2020: -4.5%) in the first quarter of 2021, weighed down by the contraction in private sector expenditure amid the imposition of MCO 2.0. However, the impact of MCO 2.0 was smaller given that most economic sectors were allowed to operate and with continued policy support for households and businesses. On the external front, robust external demand particularly for E&E products, contributed to a continued expansion in net exports.

Private investment recorded its first positive growth since the fourth quarter of 2019 (1Q 2021: 1.3%; 4Q 2020: -6.6%). This was supported mainly by the increase in capital expenditure from new and ongoing investment projects, particularly in the services and manufacturing sectors. Public investment registered a contraction of 18.6% (4Q 2020: -20.4%). While the Federal Government fixed assets spending was higher, investment by public corporations contracted at a larger pace, particularly in the oil and gas and telecommunication subsectors.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), turned positive to 0.5% during the quarter (4Q 2020: -1.5%). This was due mainly to positive albeit low fuel inflation, as well as a lapse in the effect from the tiered electricity tariff rebate2. The positive fuel inflation was driven by the base effect from low domestic retail fuel prices last year. These were partly offset by lower inflation in other categories, in particular, rental and jewelleries.

Rental inflation remained low amid soft demand for rental properties, in addition to reduced numbers of prospective tenants amid continued domestic movement restrictions and international border closures. Meanwhile, the lower inflation for jewelleries reflected declining gold prices during the quarter. Following the lower inflation for rental and jewelleries, core inflation moderated to 0.7% during the quarter (4Q 2020: 0.8%).

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

In the first quarter of 2021, conditions in the domestic financial markets were affected by both external and domestic developments. On the external front, the rise in long-term United States ("**US**") Treasury yields during this period led to shifts in international portfolio flows, resulting in financial asset price adjustments globally.

The surge in US Treasury yields, driven mainly by expectations for higher inflation in anticipation of a faster economic recovery in the US, led to the steepening of government bond yield curves in other advanced and emerging market economies. Furthermore, the improved US economic outlook and higher treasury yields supported the rebalancing of portfolio investments towards US financial assets and contributed to a strengthening of the US dollar. As a result, there was a broad-based weakening of regional currencies against the US dollar, including the ringgit.

Consequently, domestic bond yields rose in tandem with yield movements in regional markets and US Treasury securities. In particular, 10-year Malaysian Government Securities ("**MGS**") yields increased to its peak in mid-March before declining towards the end of the month as volatility in US Treasury yields subsided. The domestic bond market was further supported by the positive news on Malaysia's retention in the FTSE World Government Bond Index ("**WGBI**"). Overall, the government bond market continued to record inflows as non-resident holdings increased to 25.0% of outstanding government bonds (4Q 2020: 24.2%). For the quarter, the 3-year, 5-year and 10-year MGS yields increased by 24.4, 54.1 and 61.9 basis points, respectively, while the ringgit depreciated against the US dollar by 3.5%, in line with the movements of regional currencies.

The balance of risks remains tilted to the downside, arising mainly from ongoing uncertainties in developments related to the pandemic, and continued challenges that affect the roll-out of vaccines both globally and domestically.

For 2021 as a whole, headline inflation is expected to average higher between 2.5% and 4.0%, primarily due to the cost-push factor of higher global oil prices. To a lesser extent, the higher headline inflation rate is also partly due to the lapse in the impact from the tiered electricity tariff rebate implemented from April to December 2020.

In terms of trajectory, headline inflation is projected to temporarily spike in the second quarter of 2021, driven by the lower base from the low domestic retail fuel prices in the corresponding quarter of 2020. Headline inflation in April and May may rise to approximately between 6.5% and 7.0%. However, this will be transitory as headline inflation is expected to return to below 5.0% in June, and continue to moderate thereafter as the base effect dissipates. Several other countries are also expecting a similar phenomenon with surges in inflation amid higher energy prices and the base effect of having come from a low inflation rate in the same period last year.

Underlying inflation, as measured by core inflation, is expected to remain subdued, averaging between 0.5% and 1.5% for the year, amid continued spare capacity in the economy.

The inflation outlook, however, is subject to global oil and commodity price developments. In terms of upside risks, the impact on domestic retail fuel prices from higher global oil prices would be limited to some extent by the price ceilings effective February 2021. In addition, the enhanced Festive Season Maximum Price Control Scheme would help to curb price increases especially in fresh foods, thereby containing overall food inflation in the near term.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2021, 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

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 a 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 vaccines rollout accelerated within the ASEAN region, 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 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.

(Source: Management of AAGB)

4.4 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 exercise during the 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 33% equity interest in AirAsia India which raised RM152.9 million. Subsequent to the 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 our 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.

4.5 Prospects of AAGB and BIGLIFE

With the right foundations and platforms in place as a leaner and optimised airline operations that was pursued by our Group in 2020, our Group was able see fruits in the first quarter of 2021 with lower cost and cash burn. 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. Our Group will continue to ensure that cash burn remain low and cost optimisation measures continue to be implemented. Even if borders remain closed, our 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, our Group expects to see improved stability 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.

Our Group continues to accelerate our offerings within the digital pillars with the launch of airasia beauty in Malaysia and Indonesia and airasia food bringing its offerings to Singapore and Penang. Our Group has also launched airasia money in April 2021, beginning with a partnership with financial comparison platform RinggitPlus. Through our partnership with the platform, airasia money currently provides credit card and loan application services. The financial marketplace will also allow users to obtain the best personal finance news, information, guidance and make the best choices for their immediate needs. Our Group is encouraged by the early signs from our digital transformation to become ASEAN's super app of choice and expect our digital and non-airline revenues to contribute around 50% to our Group in five years. Teleport is focusing on building out a reliable cargo network and a 24-hour delivery end-to-end infrastructure to increase independence from passenger networks during these tough times and is in the midst of leasing a freighter aircraft and is converting two A320 passenger planes to cargo-only freighter planes in order to achieve the plan.

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

Our Group's aim is for airasia super app to be an ASEAN super app, as we believe our 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. Our 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 our Group's physical and digital assets to create an ecosystem of businesses that connect with our customers in their everyday life. The product offerings under AirAsia Digital includes, but are not limited to, the following:

(i) airasia super app, our 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.). In the first quarter of 2021, our airasia super app reported strong YoY revenue growth of 45%. Further, it launched airasia food in Singapore and expanded to Penang. It will launch a Muslim-friendly e-commerce platform under IKHLAS in the second quarter of 2021. The sale of unlimited passes in Malaysia, Thailand and Indonesia exceeded more than 100,000 passes. In the second quarter of 2021, airasia super app launched airasia beauty in Malaysia and Indonesia, with the next country launch targeted for Thailand;

(ii) Teleport, our 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 our Group's ecommerce division. In the first quarter of 2021, Teleport's revenue tripled QoQ as there were more charter flights especially to China, India and Thailand. Teleport also recorded positive earnings before interest, tax, depreciation and amortisation of RM3.165 million in the first quarter of 2021. Teleport has initiated its aspiration to establish a cargo-only core network, and is working to establish a stable network of core routes that is independent from the passenger network as the region prepares for the rebound from COVID-19;

(iii) BigPay, which currently offers payment solutions and remittances, as well as lending solutions in the near future. For the FYE 2020, BigPay recorded revenue of RM94.2 million, a decline from the previous FYE 2019 of RM148.3 million. However, BigPay recorded net income attributable to its equity holders of RM31.9 million for the FYE 2020, a significant increase from the net loss it recorded in FYE 2019 of RM21.3 million. In the first quarter of 2021, BigPay's revenue declined as compared to the first quarter of 2020, as there were lower new carded customers due to limited marketing spend during the COVID-19 pandemic. However, revenue increased by 5% QoQ primarily through the increase of payment and remittance revenue. Paired with strict cost control, BigPay continues to develop its lending products to be introduced, as well as enhancing its remittance services;

(iv) BIGLIFE (newly rebranded to Big Rewards), our rewards and points company which allows our 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) AirAsia Farm, a farm to business (F2B) marketplace that connects agriculture producers to operators, and help producers to improve their productivity and income while allowing operators to enjoy quality products at fair prices.

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. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of AAGB Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are set out in the table below:

	High	Low
	RM	RM
2020		
June	1.10	0.66
July	0.945	0.64
August	0.74	0.575
September	0.685	0.61
October	0.69	0.53
November	0.84	0.51
December	1.00	0.715
2021		
January	0.885	0.67
February	0.960	0.695
March	1.270	0.900
April	1.060	0.860
May	0.90	0.82

The last transacted market price of our Shares on 19 March 2021 (being the last trading day prior to the announcement of the MOU)	1.1900
The last transacted market price of our Shares on 13 April 2021 (being the last trading day prior to the announcement of the SSPA)	0.9850
The last transacted price of AAGB Shares on 1 June 2021, being the latest practicable date prior to the printing of this Circular	0.87

6. RISK FACTORS

Save as disclosed below, our 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 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 an impact on the AAGB Group, which may not be exhaustive pertaining to the Proposed Acquisition are set out below:

6.1 Completion risks

The Completion of the Proposed Acquisition is conditional upon the Conditions being satisfied. There can be no assurance that such Conditions as mentioned in Sections 2.2.3(iii) and (iv) above will be satisfied within the timeframe stipulated in the SSPA. In the event that the Conditions as mentioned in Sections 2.2.3(iii) and (iv) above 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, our Company will take reasonable steps to procure the fulfilment of the Conditions within the stipulated timeframe.

6.2 Acquisition risk

The Proposed Acquisition is in line with our Group's emphasis on its digital transformation of our 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 our Group, with greater value to be realised upon recovery from the COVID-19 pandemic, as stated in Section 3 above. 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 our Group to improve our financial performance and the duration required for AAGB to recoup our investment could be longer than anticipated.

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

6.3 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 our Company to contain COVID-19 or treat its impact, among others.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 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 Placement Shares were issued up to the LPD pursuant to the Private Placement as announced on 21 January 2021 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 to due 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.

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7.2 Substantial shareholders' shareholdings

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

	As at the LPD[1]				After the Proposed Acquisition[3]			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	**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 were issued up to the LPD 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 his 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 his shareholding of more than 20% in Positive Boom Limited.

7.3 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 2020, the proforma effects of the Proposed Acquisition on the consolidated net assets and gearing of AAGB are as follows:

	Audited FYE 31 December 2020 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	(57,378)	(57,378)	(57,378)
(Accumulated losses) / Retained earnings	(3,447,215)	[3](3,452,883)	[4](3,573,073)
Other reserves	(225,368)	(225,368)	(225,368)
Shareholders' deficit/NL	**(1,214,287)**	**(883,491)**	**(900,643)**
No. of AAGB Shares in issue ('000)	3,341,974	3,812,188	3,898,053
NL per Share (RM)	(0.36)	(0.23)	(0.23)
Total borrowings and lease liabilities	13,724,109	13,724,109	13,724,109
Gearing (times)[5]	N/A	N/A	N/A

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; and

(b) effects on the difference between the NA of the minority interest BIGLIFE Group acquired as compared to the purchase consideration of RM103,037,500 pursuant to the Proposed Acquisition.

(5) 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.

7.4 Earnings and EPS

Upon Completion, BIGLIFE will become a wholly owned subsidiary of AAGB and accordingly, AAGB will consolidate in full the future earnings of the BIGLIFE Group. For illustration purposes, assuming the Proposed Acquisition had been completed at the beginning of the FYE 31 December 2020, the pro forma effects of the Proposed Acquisition on the consolidated LAT and LPS of AAGB is as follows:

	Audited FYE 31 December 2020 RM'000	**After the implementation of the Private Placement[1] RM'000**	**After the Proposed Acquisition RM'000**
LAT attributable to the owners of AAGB	(5,111,667)	[2](5,117,335)	[3](5,118,135)
No. of AAGB Shares in issue ('000)	3,341,974	3,812,188	3,898,053
(LPS) (sen)	(153.0)	(134.2)	(131.3)

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 taking into consideration the estimated expenses to be incurred for the Proposed Acquisition of approximately RM800,000.

7.5 Convertible securities

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

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8. 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 2.7%, derived from the Purchase Consideration against the latest market value of all ordinary shares of AAGB.

9. 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 to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, the approval of which has been obtained via its letter dated 24 May 2021 subject to the following conditions:

No.	Conditions	Status of compliance
1.	AAGB and RHB Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	Noted
2.	AAGB is required to furnish Bursa Securities with a certified true copy of the resolutions passed by its shareholders at a general meeting for the Proposed Acquisition;	To be complied
3.	AAGB and RHB Investment Bank are required to inform Bursa Securities upon completion of the Proposed Acquisition; and	To be complied
4.	AAGB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed.	To be complied

(ii) our shareholders for the issuance of the Consideration Shares pursuant to the Proposed Acquisition at the forthcoming EGM; and

(iii) any other relevant regulatory authorities/parties, if required.

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10. INTER-CONDITIONALITY OF THE PROPOSED ACQUISITION

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

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

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

12. ESTIMATED TIMEFRAME FOR COMPLETION

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.

13. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save as disclosed below, there is no other corporate exercise or proposal which has been announced but is not yet completed before the printing of this Circular:

(i) the Private Placement; and

(ii) the Proposed LTIS and the Proposed Acquisition (which are the subject matters of this Circular).

14. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, having considered all aspects of the 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 our Company. Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

15. EGM

Our Company's forthcoming EGM, the notice of which is set out in this Circular, will be conducted as a fully virtual meeting via live streaming and online remote voting on the online meeting platform of **TIIH Online** via its website at https://tiih.online, at 2.00 p.m., on Monday, 21 June 2021, for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution to give effect to the Proposed Acquisition.

You are entitled to attend the fully virtual meeting via live streaming and participate via online remote voting at our forthcoming EGM or appoint proxy(ies) to vote for and on your behalf. In such event, the Form of Proxy should be lodged at our registered office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia or electronically lodged with the poll administrator via TIIH Online website at https://tiih.online not later than forty-eight (48) hours before the time fixed for our forthcoming EGM or any adjournment thereof. Please refer to the Administrative Note for the EGM on the procedures for electronic lodgement of the Form of Proxy. The last date and time for you to lodge the Form of Proxy is on Saturday, 19 June 2021 at 2.00 p.m.. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our forthcoming EGM should you subsequently wish to do so but if you do so, your proxy shall be precluded from attending the EGM.

16. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
AIRASIA GROUP BERHAD

DATUK KAMARUDIN BIN MERANUN
Non-Independent Executive Chairman

BIGLIFE SDN. BHD.

201001040731 (924656-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2020

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Directors' report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

Principal activity

The Group and Company are principally engaged in the business of managing customer loyalty schemes. There have been no significant changes in the nature of the principal activity of the Company during the financial year.

The principal activities of the subsidiaries and the significant changes in the nature of their principal activities are set out in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Net profit for the financial year	31,132	24,633

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Holding and ultimate holding company

The holding company is AirAsia Digital Sdn. Bhd. (formerly known as RedBeat Ventures Sdn Bhd), a company incorporated in Malaysia. The ultimate holding company is AirAsia Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Dividends

No dividend has been declared or paid since the end of the previous financial year.

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Aireen Omar
Datuk Kamarudin bin Meranun
Riad Asmat
Philip Charles Mittleman (Appointed on 5 May 2020)
Jeremiah Brian Rabe (Resigned on 5 May 2020)
How Kim Lian (Resigned on 30 April 2020)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Teoh Hooi Ling
Wong Hee Chai
Arifin Eko Prasetyo
Bawornpak Wachirawarakarn
Manjul Taneja
Rahul Agarwal
Monica Ann San Juan
Christine G. Yu
Alejandro T. Yu
Lien Nguyem
Kaw Kok Hui (Resigned on 30 June 2020)
Lee Teck Loong (Appointed on 9th July 2020)

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company or its subsidiaries were a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of related companies) by reason of a contract made by the Company or a related corporation with any Director or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest.

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BIGLIFE Sdn. Bhd.
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Directors' benefits (cont'd.)

A Directors' and officers' liability insurance has been entered into by AirAsia Group Berhad on behalf of all the Directors and officers within the Group for the financial year ended 31 December 2020 pursuant to Section 289 of the Companies Act, 2016. The Directors' and officers' liability insurance is up to an aggregate limit of RM100,000,000 against any legal liability if incurred by the Directors and officers of the Group in the discharge of their duties while holding office for the Group.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company or its related corporations during the financial year were as follows:

	Number of ordinary shares			
	As at 01.01.2020	**Acquired**	**Disposed**	**As at 31.12.2020**
Indirect interest in the Company:				
Datuk Kamarudin bin Meranun[#1]	6,660,002	-	-	6,660,002
Philip Charles Mittleman[#2]	1,665,000	-	-	1,665,000

Notes:

[#1] *Deemed interested by virtue of his interest in AirAsia Group Berhad*
[#2] *Deemed interested by virtue of his interest in AIMIA Holdings UK II Limited*

	Number of ordinary shares in the ultimate holding company, AirAsia Group Berhad			
	As at 01.01.2020	**Acquired**	**Disposed**	**As at 31.12.2020**
Direct interest:				
Datuk Kamarudin bin Meranun	2,000,000	-	-	2,000,000
Aireen Omar	50,000	-	-	50,000

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BIGLIFE Sdn. Bhd.
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Directors' interests (cont'd.)

	Number of ordinary shares in the ultimate holding company of AirAsia Group Berhad			
	As at 01.01.2020	**Acquired**	**Disposed**	**As at 31.12.2020**
Indirect interest:				
Datuk Kamarudin bin Meranun*	1,075,485,082	-	50,000,000	1,025,485,082

Notes:

* *By virtue of his interests in Tune Air Sdn. Bhd. and Tune Live Sdn. Bhd., being the major shareholders of AirAsia Group Berhad, which wholly owns the Company's holding company, AirAsia Digital Sdn Bhd (formerly known as RedBeat Ventures Sdn. Bhd.); in accordance with Section 8 of the Companies Act, 2016.*

Other than as disclosed above, the other Directors in office at the end of the financial year did not have any interest in shares of the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Other statutory information (cont'd.)

(b) At the date of this report, the Directors are not aware of any circumstances which would:

(i) require any amount to be written off as bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) render the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(g) As at 31 December 2020, the Group and the Company had shareholders' deficit of RM65,311,000 and RM63,460,000 respectively and this position arose primarily due to deferred revenue and deferred breakage. The Directors are of the view that the Group and the Company are able to meet their obligations and liabilities as and when they fall due.

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BIGLIFE Sdn. Bhd.
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Other statutory information (cont'd.)

Significant and subsequent events

The significant events during and the subsequent events after the financial year are disclosed in Notes 5 and 28 to the financial statements respectively.

Auditors and auditors' remuneration

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 20 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during the financial year or since the financial year end.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 March 2021.

Aireen Omar

Riad Asmat

Kuala Lumpur, Malaysia

201001040731 (924656-U)

BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Aireen Omar and Riad Asmat, being two of the Directors of BIGLIFE Sdn. Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 90 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 March 2021

Aireen Omar

Riad Asmat

Kuala Lumpur, Malaysia

Statutory Declaration
Pursuant to Section 251(1)(b)of the Companies Act, 2016

I, Teoh Hooi Ling (MIA membership no. 25253), being the officer primarily responsible for the financial management of BIGLIFE Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 90 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Teoh Hooi Ling at Kuala Lumpur in the Federal Territory on 17 March 2021

Teoh Hooi Ling

Before me,

No: W 562
Nama:MOHAMMAD ROSLAN BIN MUSTAFA
01.01.19 - 15.12.21
MALAYSIA

H-2-10,
Plaza Damas,
Jalan Sri Hartamas 1,
50480 Kuala Lumpur

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Independent auditors' report to the members of BIGLIFE Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BIGLIFE Sdn. Bhd. (the "Company"), which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 90.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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Independent auditors' report to the members of BIGLIFE Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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201001040731 (924656-U)

Independent auditors' report to the members of BIGLIFE Sdn. Bhd. (cont'd.) (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Independent auditors' report to the members of BIGLIFE Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
17 March 2021

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Non-current assets					
Equipment	3	3,974	5,302	3,971	5,220
Right of use ("ROU") assets	4	638	129	556	56
Investments in subsidiaries	5	-	-	813	2,297
		4,612	5,431	5,340	7,573
Current assets					
Investments	8	49,591	52,367	49,591	52,367
Inventories		102	-	102	-
Right of use ("ROU") assets	4	559	40	470	40
Trade receivables	6	8,099	22,605	7,276	22,542
Other receivables	7	1,760	5,200	3,133	11,761
Cash and bank balances		8,107	8,828	4,766	3,828
Deferred Tax Asset		84	-	-	-
		68,302	89,040	65,338	90,538
Total assets		72,914	94,471	70,678	98,111
Equity and liabilities					
Shareholders' deficit					
Share capital	9	43,900	43,900	43,900	43,900
Capital contribution	9	20,140	20,140	20,140	20,140
Accumulated losses		(119,723)	(151,626)	(129,587)	(154,220)
Currency translation reserve		313	13	-	-
Defined benefit plan reserve		4	4	-	-
Merger deficit		(6,186)	(6,186)	-	-
Deficit attributable to equity holders of the parent		(61,552)	(93,755)	(65,547)	(90,180)
Non-controlling interest		(3,759)	(2,988)	-	-
Total deficit		(65,311)	(96,743)	(65,547)	(90,180)
Non-current liabilities					
Deferred revenue	10	68,943	56,305	68,943	56,305
Deferred breakage	11	13,477	29,899	13,477	29,899
Employee benefits liability	16	308	300	-	-
Lease liabilities	15	635	30	553	30
		83,363	86,534	82,973	86,234

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Statements of financial position (cont'd.)
As at 31 December 2019

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Current liabilities					
Deferred revenue	10	26,151	37,537	26,151	37,537
Deferred breakage	11	5,112	19,933	5,112	19,933
Trade payables	12	4,251	22,741	4,251	22,741
Amounts due to subsidiaries	13	-	-	267	279
Other payables	14	18,784	24,226	16,996	21,501
Lease liabilities	15	564	141	475	66
Provision for taxation		-	102	-	-
		54,862	104,680	53,252	102,057
Total liabilities		138,225	191,214	136,225	188,291
Total equity and liabilities		72,914	94,471	70,678	98,111

The accompanying notes form an integral part of the financial statements.

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	17	94,191	148,348	93,196	143,857
Cost of rewards		(28,213)	(122,843)	(28,231)	(122,754)
Gross profit		65,978	25,505	64,965	21,103
Other operating income	18	1,253	2,435	1,868	3,656
Staff costs	19	(17,754)	(24,520)	(13,408)	(20,040)
Information technology expenses		(8,817)	(10,268)	(8,739)	(10,237)
Marketing expenses		(3,787)	(8,539)	(3,593)	(9,694)
Administration expenses	20	(5,432)	(7,247)	(16,107)	(5,918)
Other operating expenses	18	(338)	(807)	(338)	(243)
Profit/(loss) from operations		31,103	(23,441)	24,648	(21,373)
Finance costs	21	(22)	(15)	(21)	(10)
Profit/(loss) before taxation		31,081	(23,456)	24,627	(21,383)
Taxation	22	51	613	6	607
Net income/(loss) for the financial year		31,132	(22,843)	24,633	(20,776)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Actuarial gain on employee service entitlements		-	4	-	-
Exchange differences on translation of subsidiaries		300	(250)	-	-
		300	(246)	-	-
Total comprehensive income/(loss)		31,432	(23,089)	24,633	(20,776)
Net income/(loss) for the financial year attributable to:					
Equity holders of the Company		31,903	(21,285)	24,633	(20,776)
Non-controlling interests		(771)	(1,558)	-	-
		31,132	(22,843)	24,633	(20,776)
Total comprehensive income/(loss) for the financial year, net of tax attributable to:					
Equity holders of the Company		32,203	(21,531)	24,633	(20,776)
Non-controlling interests		(771)	(1,558)	-	-
		31,432	(23,089)	24,633	(20,776)

The accompanying notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BIGLIFE FOR THE FYE 31 DECEMBER 2020 TOGETHER WITH THE NOTES AND THE AUDITORS' REPORT (CONT'D)

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2020

	<------	Non-distributable	------>						
	Share capital RM'000 (Note 9)	Capital contribution RM'000 (Note 9)	Foreign currency translation reserve RM'000 (Note 9)	Defined benefit plan reserve RM'000 (Note 9)	Merger deficit RM'000 (Note 9)	Accumulated losses RM'000	Shareholders' deficit RM'000	Non-controlling interests RM'000 (Notes 5 & 9)	Total deficit RM'000
Group									
At 1 January 2020	43,900	20,140	13	4	(6,186)	(151,626)	(93,755)	(2,988)	(96,743)
Net loss for for the financial year	-	-	-	-	-	31,903	31,903	(771)	31,132
Other comprehensive income	-	-	300	-	-	-	300	-	300
Total comprehensive income for the financial year	-	-	300	-	-	31,903	32,203	(771)	31,432
At 31 December 2020	43,900	20,140	313	4	(6,186)	(119,723)	(61,552)	(3,759)	(65,311)

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BIGLIFE Sdn. Bhd.
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Statements of changes in equity (cont'd.)
For the financial year ended 31 December 2020

		<---- Non-distributable	---->						
	Share capital RM'000 (Note 9)	Capital contribution RM'000 (Note 9)	Foreign currency translation reserve RM'000 (Note 9)	Defined benefit plan reserve RM'000 (Note 9)	Merger deficit RM'000 (Note 9)	Accumulated losses RM'000	Shareholders' deficit RM'000	Non-controlling interests RM'000 (Notes 5 & 9)	Total deficit RM'000
Group									
At 1 January 2019	43,900	20,140	263	-	(6,186)	(130,341)	(72,224)	(1,430)	(73,654)
Net loss for for the financial year	-	-	-	-	-	(21,285)	(21,285)	(1,558)	(22,843)
Other comprehensive loss	-	-	(250)	4	-	-	(246)	-	(246)
Total comprehensive loss for the financial year	-	-	(250)	4	-	(21,285)	(21,531)	(1,558)	(23,089)
At 31 December 2019	43,900	20,140	13	4	(6,186)	(151,626)	(93,755)	(2,988)	(96,743)

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Statements of changes in equity (cont'd.)
For the financial year ended 31 December 2020

	Share capital RM'000 (Note 9)	Non-distributable capital contribution RM'000 (Note 9)	Accumulated losses RM'000	Shareholders' deficit RM'000
Company				
At 1 January 2020	43,900	20,140	(154,220)	(90,180)
Total comprehensive income for the financial year	-	-	24,633	24,633
At 31 December 2020	43,900	20,140	(129,587)	(65,547)
At 1 January 2019	43,900	20,140	(133,444)	(69,404)
Total comprehensive loss for the financial year	-	-	(20,776)	(20,776)
At 31 December 2019	43,900	20,140	(154,220)	(90,180)

The accompanying notes form an integral part of the financial statements.

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activites					
Profit/(loss) from operations		31,081	(23,456)	24,627	(21,383)
Adjustments for:					
Equipment					
- Depreciation	3, 20	2,020	1,722	2,006	1,686
- Write off	3,20	65	1,050	-	1,049
Depreciation of ROU assets	4, 20	568	603	487	456
Interest expense on lease liabilities	15, 21	22	15	21	10
(Reversal)/addition of impairment loss for receivables	6, 20	(368)	(719)	9,863	949
Bad debts written off	6, 20	-	397	-	397
Impairment losses on subsidiaries	5	-	-	2,087	-
Dividend income from fair value through profit or loss ("FVTPL") financial assets	18	(1,224)	(1,696)	(1,224)	(1,696)
Fair value gains on FVTPL					-
financial assets	18	-	(36)	-	(36)
Unrealised foreign exchange (gain)/loss	18	(88)	807	(92)	243
Operating gain/(loss) before working capital changes		32,076	(21,313)	37,775	(18,325)
Changes in working capital:					
(Increase) in inventories		(102)	-	(102)	-
Decrease/(increase) in receivables		15,688	(8,905)	6,353	(8,473)
(Decrease)/increase in payables		(53,640)	33,982	(52,924)	31,602
Net change in related parties balances		-	4	5,073	(6,009)
Operating (loss)/income after working capital changes		(5,978)	3,768	(3,825)	(1,205)
Net dividend received	18	1,224	1,696	1,224	1,696
Tax refund		2,975	-	2,930	-
Income tax paid		(404)	(2,054)	(333)	(1,983)
Net cash (used in)/generated from operating activities		(2,183)	3,410	(4)	(1,492)

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BIGLIFE Sdn. Bhd.
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Statements of cash flows (cont'd.)
For the financial year ended 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Purchase of FVTPL financial assets		-	(10,893)	-	(10,893)
Proceeds from disposal of FVTPL financial assets		2,776	-	2,776	-
Purchase of equipment	3	(757)	(1,515)	(757)	(1,489)
Acquisition of subsidiaries, net of cash acquired	5	-	-	(603)	-
Net cash generated from/(used in) investing activities		2,019	(12,408)	1,416	(12,382)
Cash flows from financing activity					
Payment of principal portion of lease liabilities representing net cash used in financing activity	15	(589)	(616)	(506)	(466)
Net (decrease)/increase in cash and and cash equivalents		(753)	(9,614)	906	(14,340)
Cash and cash equivalents at beginning of the financial year		8,828	18,731	3,828	18,207
Effects of exchange rate changes on cash and cash equivalents		32	(289)	32	(39)
Cash and cash equivalents at end of the financial year		8,107	8,828	4,766	3,828
Cash and cash equivalents comprise:					
Cash and bank balances		8,107	8,828	4,766	3,828

The accompanying notes form an integral part of the financial statements.

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2020

1. Corporate information

The Company is a private company limited by shares, incorporated under the Companies Act, 2016 and domiciled in Malaysia. The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at Level 4, Wisma Tune, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

The holding company is AirAsia Digital Sdn. Bhd. (formerly known as RedBeat Ventures Sdn Bhd), a company incorporated in Malaysia. The ultimate holding company is AirAsia Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in the business of managing customer loyalty schemes. There has been no change on the principal activity of the Company.

The principal activities of the subsidiaries and the significant changes in nature of their principal activities are set out in Note 5 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 February 2021.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis except as disclosed in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.6.

At the beginning of the current financial year, the Group and the Company had fully adopted the new and amended MFRSs and Interpretations as described fully in Note 2.4.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

As at 31 December 2020, the Group and the Company had shareholders' deficit of RM65,311,000 (2019: RM96,743,000) and RM63,460,000 (2019: RM90,180,000) respectively and this position arose primarily due to deferred revenue and deferred breakage. At 31 December 2019, the current liabilities of the Group and the Company exceeded net assets by RM15,640,000 and RM11,519,000 respectively. The Directors are of the view that the Group and the Company are able to meet their obligations and liabilities as and when they fall due.

2.2 Basis of consolidation

(a) Basis of consolidation

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

(a) Basis of consolidation (cont'd.)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Merger method of accounting

Business combinations involving entities under common control are accounted for by applying the merger method of accounting. Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amount reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as a merger reserve or merger deficit. The statements of comprehensive income reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entites had come under common control.

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2020 (cont'd.)

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies

(a) Equipment and depreciation

(i) Recognition and measurement

All items of equipment are initially recorded at cost. The cost of an item of equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

On disposal of equipment, the difference between net proceeds and the carrying amount is recognised in profit or loss.

(ii) Subsequent costs

Subsequent to initial recognition, equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation of equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful lives at the following annual rates:

Furniture and fittings	5 years
Computer hardware	5 years
Computer software	5 years
Office equipment	5 years
Renovation	5 years

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Equipment and depreciation (cont'd.)

(iii) Depreciation (cont'd.)

Construction work in progress is stated at cost and is not depreciated until the assets are ready for their intended use.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of equipment.

(b) Subsidiary

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Impairment of non-financial assets (cont'd.)

An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those points or groups of points and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

(d) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost ("AC") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. The Group and the Company initially measure financial assets at its fair value plus, in the case of financial assets not classified at FVTPL, directly attributable transaction costs.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Financial assets (cont'd.)

In order for a financial asset to be classified and measured at AC or FVTPL, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and Company's business model for managing financial assets refer to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within an established time frame are recognised on the trade date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at AC (debt instruments)
- Financial assets at FVTPL

Financial assets at AC (debt instruments)

The Group and the Company measure financial assets at AC if both of the following conditions are met:

- the financial asset is held within a business model with the objective of holding the financial assets to collect the contractual cash flow; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and Company's financial assets at amortised cost include trade and other receivables.

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Notes to the financial statements
For the financial year ended 31 December 2020 (cont'd.)

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Financial assets (cont'd.)

Financial assets at AC (debt instruments) (cont'd.)

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the EIR, less provision for impairment.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of comprehensive income.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occured.

For trade receivables and other receivables, the Group and the Company apply a simplified approach in calculating ECLs as permitted by MFRS 9. Accordingly, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on the financial asset's lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(g) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset have expired; or

- the Company retains the contractual right to receive cash flows from the asset but has assumed obligation to pay them in full without material delay to a third party; or

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(g) Derecognition of financial assets (cont'd.)

A financial asset is derecognised when (cont'd.):

- the Group and Company have transferred its right to receive cash flows from the asset and either:

  (a) have transferred substantially all the risks and rewards of the asset; or

  (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group and Company have transferred its right to receive cash flows from an asset and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(h) Financial liabilities

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is extinguished and the resulting gains or losses are recognised in profit or loss.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash on hand and bank balances.

(j) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity.

Share issue costs

Incremental external costs that are directly attributable to the issuance of new shares or options are recognised in equity, net of tax.

Dividend distributions

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(k) Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group and Company expects to be entitled when the performance obligation is satisfied.

i. Sale of loyalty points and cost of rewards

The Group and Company derive revenue primarily from the sale of "Loyalty Points", which are defined as points to its respective merchants or BIG members and from services rendered or to be rendered to merchants.

For sales of Loyalty Points to BIG members, revenue is recognised directly to the profit or loss as all performance obligations are transferred to the customer upon purchase.

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BIGLIFE Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2020 (cont'd.)

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(k) Revenue from contracts with customers (cont'd.)

i. Sale of loyalty points and cost of rewards (cont'd.)

For sales of Loyalty Points to merchants, there are two performance obligations which is towards the merchants and BIG members. The allocated transacted price towards merchants is the loyalty service fee which will be recognised upon award of points to BIG Members. The allocated transacted price towards BIG members are deferred and recognised as revenue upon the redemption of Loyalty Points. Revenue recognised on the redemption of Loyalty points is calculated based on the intrinsic value of the transaction price allocated for BIG Members.

Breakage represents the estimated Loyalty Points that are not expected to be redeemed by members. The amount of revenue recognised related to Breakage is based on the actual number of Loyalty Points expire during the year. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices.

Cost of rewards, representing the amount paid by the Group and Company to the commercial partners that offer air travel, shopping discounts or other rewards to members upon redemption of Loyalty Points ("Redemption Partners"), is accrued when the member redeems the Loyalty Points.

ii. Affiliate marketing income

The Group and Company earn commission income from affiliate marketing partners upon successful completion of transactions by the members through the eStore platform established by the Group and Company.

iii. Commission income

Commission income relates to credit card approval fees derived from credit cards issued by the Group's and Company's partners which were procured through the Group's and Company's sales channel.