

Bursa Announcement

Subject: Joint Venture between AirAsia Group Berhad and Universal Music Malaysia Sdn. Bhd. on a record label partnership

1. INTRODUCTION

Pursuant to Paragraph 9.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), the Board of Directors (“**Board**”) of AirAsia Group Berhad (“**AirAsia**”) wishes to announce that AirAsia has on 29 November 2019 entered into a Preliminary Shareholders’ Agreement (“**Agreement**”) in relation to a proposed joint venture with Universal Music Malaysia Sdn. Bhd. (“**Universal Music**”) (the “**Joint Venture**”) (the “**Transaction**”).

2. DETAILS OF THE TRANSACTION

- 2.1 Universal Music is part of the Universal Music Group (“UMG”), the world leader in music-based entertainment, with a broad array of businesses engaged in recorded music, music publishing, merchandising and audiovisual content in more than 60 countries. Featuring the most comprehensive catalog of recordings and songs across every musical genre, UMG identifies and develops artists and produces and distributes the most critically acclaimed and commercially successful music in the world. Committed to artistry, innovation and entrepreneurship, UMG fosters the development of services, platforms and business models in order to broaden artistic and commercial opportunities for its artists and create new experiences for fans. UMG is a Vivendi company.
- 2.2 The Transaction has created a joint venture company bearing the name “RedRecords Sdn. Bhd.” (the “**JVC**”) with the aim of signing and developing South East Asian talents with the potential to be marketed for profit within and beyond The Association of Southeast Asian Nations (“ASEAN”). The JVC will further popularise Asian pop music through -
- (a) artists and repertoire;
 - (b) artist development;
 - (c) music recordings and contents;
 - (d) management and agency services (relating to all entertainment activities); and
 - (e) music publishing and merchandising.
- 2.3 AirAsia and Universal Music will sign a definitive agreement within three (3) months from 29 November 2019 which governs their rights and obligations as the shareholders of the JVC.

3. SALIENT TERMS OF THE AGREEMENT

- 3.1 The JVC is a private company limited by shares incorporated in Malaysia on 29 November 2019 under the Companies Act, 2016 with an initial fully paid-up share capital of Ringgit Malaysia Two only (RM2.00) consisting of two (2) ordinary shares. AirAsia and Universal Music have each subscribed to one (1) ordinary share.

- 3.2 Subsequent to the incorporation of the JVC, AirAsia and Universal Music will increase the fully paid-up share capital of the JVC to USD1,000,000 (equivalent to RM4,171,300*) by subscribing to an equal amount of shares.
- 3.3 The operational and capital requirements of the JVC will be met by -
- (a) debt financing consisting of third party debt financing as may be approved by AirAsia and Universal Music from time to time; and
 - (b) a shareholder loan for the initial 3-year period by way of a drawdown fund of USD750,000 (equivalent to RM3,128,475*) which will be pro-rated based on the shareholding of AirAsia and Universal Music.
- 3.4 The Agreement generally prohibits the transfers of shares, unless the transfer is (a) agreed between AirAsia and Universal Music in writing; or (b) made to a qualifying affiliate in full. If either AirAsia or Universal Music receives a bona fide purchasing offer from a third party which is not a qualifying affiliate, then the other party has a right to all of its shares on the same or better terms and conditions offered by such third party.
- 3.5 The Board of the JVC is made up of four (4) Directors, namely Datuk Kamarudin bin Meranun (Chairman), Nadda Buranasiri, Ong Chun Eng and Wong Ying Chong. All business arising at any board meeting of the JVC require the unanimous approval of all Directors present and entitled to vote.
- 3.6 The quorum at any General Meeting of the JVC requires the presence of both AirAsia and Universal Music. Pursuant to the Agreement, shareholders' reserved matters can only be passed with the unanimous vote of AirAsia and Universal Music whereas other actions or resolutions can be passed with a simple majority vote of the shareholders.
- 3.7 The Agreement will be terminated with immediate effect upon the occurrence of any of the following events:
- (a) mutual agreement of AirAsia and Universal Music;
 - (b) by either AirAsia or Universal Music within three (3) months after the second anniversary of 29 November 2019 or any subsequent anniversary to the second anniversary, provided the JVC has incurred accumulative losses before income tax, depreciation and amortisation in excess of USD300,000 (equivalent to RM1,251,390*);
 - (c) the completion of a transfer of the shares in accordance with the Agreement or as otherwise agreed by the shareholders in writing; or
 - (d) the passing of an effective resolution or a binding order for the winding up of the JVC other than to effect a scheme of reconstruction or amalgamation.

4 RATIONALE AND BENEFITS FOR THE TRANSACTION

The partnership with Universal Music aligns with AirAsia's focus in developing talents in ASEAN. This will facilitate the ancillary revenue growth of AirAsia in the music industry, with Universal Music bringing in the necessary expertise and skills set to create a synergy which will enhance the musical venture. The Joint Venture forms part of the broader effort of AirAsia to position itself as an all-in-one travel and lifestyle marketplace.

5 FINANCIAL EFFECTS OF THE JOINT VENTURE

Based on the cashflow projection of the JVC, it is anticipated that the Joint Venture will result in a total dividend of USD340,000 (equivalent to RM1,418,242*) for the Company over a period of ten (10) years. The Transaction will not have any effect on the share capital and substantial shareholders' shareholdings of the Company. It is also not expected to have a material effect on the net assets per share, earnings per share and gearing of the Group for the financial year ending 31 December 2019.

The Board does not foresee additional material risk in relation to the Transaction.

6 APPROVAL REQUIRED

The percentage ratio of the Transaction does not exceed 25% or more as prescribed under Paragraph 10.07 of the Listing Requirements. As such, the Transaction will not require the approval of AirAsia's shareholders. The Transaction also does not require approval from any government authorities.

7 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and major shareholders of AirAsia and/or persons connected with them have any interest, whether directly and indirectly, in the Transaction.

8 STATEMENT BY THE DIRECTORS

The Directors having considered the rationale of the Transaction, and after a careful consideration, are of the view that the Transaction is in the best interest of AirAsia and its shareholders.

9 HIGHEST PERCENTAGE RATIO APPLICABLE TO THE TRANSACTION

The highest percentage ratio applicable to the Transaction pursuant to paragraph 10.02(g) of the Listing Requirements is 0.03%.

10 DOCUMENTS AVAILABLE FOR INSPECTION

The Preliminary Shareholders' Agreement is available for inspection at the registered office of AirAsia at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

*Based on Bank Negara Malaysia's exchange rate of USD1.00 : RM4.1713 as at 29 November 2019.

This announcement is dated 6 December 2019.