

CAPITAL A BERHAD
201701030323 (1244493-V)
FIRST QUARTER REPORT ENDED 31 MARCH 2023

ANNOUNCEMENT

The Board of Directors of Capital A Berhad (“Capital A” or “the Company”) hereby announces the following unaudited consolidated results of Capital A and its subsidiaries (collectively known as “the Group”) for the year ended 31 March 2023.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		31/3/2023 RM'000	31/3/2022 RM'000	31/3/2023 RM'000	31/3/2022 RM'000
Revenue:	10				
- Aviation		2,198,082	601,378	2,198,082	601,378
- Logistic		151,966	146,948	151,966	146,948
- Digital and others		179,665	63,458	179,665	63,458
		2,529,713	811,784	2,529,713	811,784
Operating expenses:					
- Staff costs		(427,429)	(261,310)	(427,429)	(261,310)
- Aircraft fuel expenses		(958,141)	(348,363)	(958,141)	(348,363)
- Fuel swap losses		-	-	-	-
- Maintenance and overhaul		(67,246)	(146,313)	(67,246)	(146,313)
- User charges and other related expenses		(305,054)	(89,965)	(305,054)	(89,965)
- Logistic expenses		(118,010)	(134,785)	(118,010)	(134,785)
- Technology and IT related expenses		(68,502)	(56,740)	(68,502)	(56,740)
- Other operating expenses	11(i)	(86,562)	(84,064)	(86,562)	(84,064)
Other income	11(ii)	3,459	1,181	3,459	1,181
EBITDA		502,228	(308,575)	502,228	(308,575)
Depreciation and amortisation		(37,765)	(34,668)	(37,765)	(34,668)
Depreciation on right of use asset	12(i)	(326,002)	(346,116)	(326,002)	(346,116)
Finance income	13	9,764	16,483	9,764	16,483
Finance costs - lease liabilities	12(ii)	(169,084)	(160,193)	(169,084)	(160,193)
Finance costs	13	(7,376)	(78,160)	(7,376)	(78,160)
Net operating loss		(28,235)	(911,229)	(28,235)	(911,229)
Foreign exchange gain/(loss)	13	44,773	(52,730)	44,773	(52,730)
Fair value gain on derivatives		-	30,614	-	30,614
Share of results of associates/joint venture		13,352	(143,119)	13,352	(143,119)
Profit/(loss) before taxation		29,890	(1,076,464)	29,890	(1,076,464)
Tax expense	14	(3,876)	(745)	(3,876)	(745)
Deferred taxation	14	-	-	-	-
Net profit/(loss) for the financial period		26,014	(1,077,209)	26,014	(1,077,209)
Attributable to:					
- Owners of the company		57,095	(903,791)	57,095	(903,791)
- Non-controlling interests		(31,081)	(173,418)	(31,081)	(173,418)
		26,014	(1,077,209)	26,014	(1,077,209)

The Condensed Income Statement in compliance with MFRS 134.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/3/2023 RM'000	31/3/2022 RM'000	31/3/2023 RM'000	31/3/2022 RM'000
Net profit/(loss) for the financial period	26,014	(1,077,209)	26,014	(1,077,209)
Other comprehensive income/(expense)				
Remeasurement loss on employee benefits liability, net of tax	953	3,760	953	3,760
Fair value reserve	39,415	1,540	39,415	1,540
Cash flow hedges	-	(3,861)	-	(3,861)
Foreign currency translation differences	70,254	(55,285)	70,254	(55,285)
Total comprehensive income/(expense)	136,636	(1,131,055)	136,636	(1,131,055)
Total comprehensive income attributable to:				
Owners of the Company	167,717	(957,540)	167,717	(957,540)
Non-controlling interests	(31,081)	(173,515)	(31,081)	(173,515)
	136,636	(1,131,055)	136,636	(1,131,055)

The condensed consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31/3/2023 RM'000	AS AT 31/12/2022 RM'000
NON CURRENT ASSETS			
Property, plant and equipment	15	896,723	882,893
Right of use assets	15	10,108,842	10,182,126
Finance lease receivables	15	242,033	260,820
Investment in associates	17	937,888	924,312
Investment in joint venture		-	220
Investment securities	16	153,930	114,534
Intangible assets		750,961	748,350
Deferred tax assets		739,454	739,238
Receivables and prepayments	18	3,491,042	3,564,648
Deposits on aircraft purchase		581,976	576,034
Derivative financial instruments	23	165,397	165,397
		18,068,246	18,158,572
CURRENT ASSETS			
Inventories		230,820	204,459
Receivables and prepayments	18	680,548	650,972
Finance lease receivables	15	114,975	114,975
Amounts due from associates		193,119	166,437
Amounts due from related parties		161,676	154,921
Tax recoverable		7,867	7,208
Deposits, bank and cash balances		589,594	469,985
		1,978,599	1,768,957
CURRENT LIABILITIES			
Trade and other payables	19	2,936,242	2,878,562
Aircraft maintenance provisions and liabilities	20	441,089	599,895
Sales in advance		1,546,450	1,428,011
Amounts due to associates		359,096	266,126
Amounts due to related parties		275,443	230,291
Borrowings	21	513,630	530,958
Lease liabilities	22	4,425,518	4,340,844
Provision of taxation		6,027	3,336
		10,503,495	10,278,023
NET CURRENT LIABILITIES		(8,524,896)	(8,509,066)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note	AS AT 31/3/2023 RM'000	AS AT 31/12/2022 RM'000
NON CURRENT LIABILITIES		
Trade and other payables	281,597	280,801
Aircraft maintenance provisions and liabilities	5,525,692	5,538,224
Borrowings	2,398,882	2,405,756
Lease liabilities	10,483,251	10,717,036
Deferred tax liabilities	154,905	154,905
Provision for retirement benefits	75,223	69,742
	18,919,550	19,166,464
	(9,376,200)	(9,516,958)
CAPITAL AND RESERVES		
Share capital	8,658,427	8,654,977
Merger deficit	(5,507,594)	(5,507,594)
Other reserves	245,060	204,020
Foreign exchange reserve	(83,054)	(153,308)
Retained earnings	(8,866,093)	(8,923,188)
	(5,553,254)	(5,725,093)
Non-controlling interests	(3,822,946)	(3,791,865)
Total equity	(9,376,200)	(9,516,958)
Net assets per share attributable to ordinary equity holders of the Company (RM)	(1.33)	(1.47)

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											Non-controlling interests RM'000	Total equity RM'000	
	Number of shares '000	Share Capital RM'000	Merger Deficit RM'000	Foreign exchange reserve RM'000	Share-based payments RM'000	RCUIDS - equity RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Fair value and other reserves RM'000	Remeasurement loss on employee benefits liability RM'000	Retained earnings RM'000			Total RM'000
At 1 January 2023	4,161,793	8,654,977	(5,507,594)	(153,308)	16,614	126,831	112,736	-	(45,673)	(6,488)	(8,923,188)	(5,725,093)	(3,791,865)	(9,516,958)
Net loss for the financial year	-	-	-	-	-	-	-	-	-	-	57,095	57,095	(31,081)	26,014
Other comprehensive income	-	-	-	70,254	-	-	-	-	39,415	953	-	110,622	-	110,622
Issuance of new shares	4,600	3,450	-	-	-	-	-	-	-	-	-	3,450	-	3,450
Share-based payment expensed	-	-	-	-	672	-	-	-	-	-	-	672	-	672
At 31 March 2023	4,166,393	8,658,427	(5,507,594)	(83,054)	17,286	126,831	112,736	-	(6,258)	(5,535)	(8,866,093)	(5,553,254)	(3,822,946)	(9,376,200)
At 1 January 2022	3,898,053	8,457,172	(5,507,594)	(118,439)	5,968	154,360	112,736	(68,499)	(29,914)	(13,330)	(6,374,760)	(3,382,300)	(3,040,603)	(6,422,903)
Net loss for the financial year	-	-	-	-	-	-	-	-	-	-	(2,626,381)	(2,626,381)	(677,788)	(3,304,169)
Other comprehensive income	-	-	-	(34,869)	-	-	-	-	(15,759)	6,842	-	(43,786)	-	(43,786)
Issuance of new shares	263,740	197,805	-	-	-	-	-	-	-	-	-	197,805	-	197,805
Conversion of RCUIDS	-	-	-	-	-	(27,529)	-	-	-	-	-	(27,529)	-	(27,529)
Dilution of interest in subsidiary	-	-	-	-	-	-	-	-	-	-	77,953	77,953	(73,474)	4,479
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	68,499	-	-	-	68,499	-	68,499
Share-based payment expensed	-	-	-	-	10,646	-	-	-	-	-	-	10,646	-	10,646
At 31 December 2022	4,161,793	8,654,977	(5,507,594)	(153,308)	16,614	126,831	112,736	-	(45,673)	(6,488)	(8,923,188)	(5,725,093)	(3,791,865)	(9,516,958)

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	31/3/2023	31/3/2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	29,890	(1,076,464)
Adjustments:		
Property, plant and equipment		
- Depreciation	37,134	34,049
- Gain on disposal	(5)	(72)
- Write Off	195	68
Rights of Use Asset		
- Depreciation	326,002	346,116
Intangible assets		
- Amortisation	631	619
Provision for retirement benefit	3,629	4,718
Aircraft maintenance provisions	-	37,855
Impairment of receivables, related parties, joint ventures and investment securities	(3,149)	36,458
Fair value gain on derivative financial instruments	-	(30,614)
Share of results of associates and joint venture	(13,352)	143,119
Net unrealised foreign exchange losses	(40,507)	(50,736)
Share-based payments	672	5,293
Interest expense	7,376	52,617
Interest on lease liabilities	169,084	160,193
Interest income	(9,764)	(16,483)
	507,835	(353,264)
Changes in working capital		
Inventories	(24,284)	(4,354)
Receivables and prepayments	(105,272)	(328,709)
Trade and other payables and provisions	(250,327)	257,600
Sales in advance	288,995	13,971
Intercompany balances	162,217	17,910
Cash generated from/(used in) operations	579,164	(396,846)
Interest paid	(48,134)	(43,840)
Interest received	689	1,000
Tax (paid)/refund, net	(2,072)	611
Retirement benefit paid	(938)	(1,972)
Net cash generated from/(used in) operating activities	528,709	(441,047)

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	PERIOD ENDED	PERIOD ENDED
	31/3/2023	31/3/2022
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(33,383)	(948)
- Proceeds from disposal	36	51
Addition in intangible assets	(642)	-
Additional investment in an associate	-	(176,280)
Acquisition of other investments	-	(4,206)
Deposits paid for aircraft purchase	(4,075)	(7,562)
Net cash (used in)/generated from investing activities	(38,064)	(188,945)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	169,170
Repayment of borrowings and lease liabilities	(373,975)	(429,124)
Net cash (used in)/generated from financing activities	(373,975)	(259,954)
NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD	116,669	(889,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	469,985	1,256,753
CURRENCY TRANSLATION DIFFERENCES	2,939	(2,387)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	589,594	364,420

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE QUARTERLY REPORT

1. Basis of preparation

The Interim Financial Report is unaudited and has been prepared in accordance with paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements.

The Interim Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2022.

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the Audited Financial Statements for the financial year ended 31 December 2022. Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2022 or later are provided in the notes to the financial statements in the Audited Financial Statements of the Group for the financial year ended 31 December 2022. The Group did not early adopt any new standards, amendments to published standards and interpretation to existing standards.

For the beginning of the financial year 1 January 2023, the standards that become effective do not have any material impact on the financial statements of the Group and the Company for the year.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group and the Company's audited financial statements for the financial year ended 31 December 2022 in their report dated 28 April 2023.

4. Seasonality of operations

The Group's air transportation business is subject to the seasonal demand for air travel.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date except for that from the Covid-19 outbreak.

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6. Changes in composition of the Group

There are no changes in composition of the Group during the current quarter.

7. Changes in estimates

There were no changes in estimates that have had a material effect on the results of the current quarter and financial period-to-date.

8. Issues, Repurchases and Repayment of Debt and Equity Securities

During the financial period ended 31 March 2023, the Company issued 4,600,000 new ordinary shares at a total value of RM3,450,000 under the conversion of RCUIDS.

Apart from the above, there are no issuances, cancellation, repurchase, resale and repayment of debt and equity securities for the period ended 31 March 2023.

9. Dividends paid and proposed

No dividend has been proposed during the period ended 31 March 2023.

10. Revenue

	Quarter ended 31/3/2023 RM million	Quarter ended 31/3/2022 RM million
<u>Aviation revenue</u>		
Passenger revenue		
- seat sales	1,804.6	495.4
- others	380.4	93.0
Aircraft operating lease income	13.1	13.0
	<hr/> 2,198.1	<hr/> 601.4
Logistic	152.0	146.9
<u>Digital & Others revenue</u>		
- airasia Superapp	103.9	39.7
- BigPay	10.7	6.0
- Others	65.0	17.8
	<hr/> 2,529.7	<hr/> 811.8

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11. (i) Other operating expenses

Other operating expenses mainly includes advertising and promotion, professional fees, insurance, rentals and maintenance.

(ii) Other income

Other income mainly includes commission and advertising income, forfeited revenue, insurance claims and management fee for provision of shared services to associates.

12. (i) Depreciation on right of use asset

	Quarter ended 31/3/2023 RM million	Quarter ended 31/3/2022 RM million
Operating aircraft	213.0	135.8
Non-operating aircraft	112.4	209.5
Others	0.6	0.8
	326.0	346.1

(ii) Finance costs - lease liabilities

	Quarter ended 31/3/2023 RM million	Quarter ended 31/3/2022 RM million
Operating aircraft	108.1	66.9
Non-operating aircraft	61.0	93.3
	169.1	160.2

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13. Finance income/(costs) and foreign exchange gain/(loss)

	Quarter ended 31/3/2023 RM million	Quarter ended 31/3/2022 RM million	Year ended 31/3/2023 RM million	Year ended 31/3/2022 RM million
(a) Finance income				
Interest income from:				
- deposits with licensed banks	0.7	0.4	0.7	0.4
- from associates	0.1	1.2	0.1	1.2
- finance lease receivables	9.0	14.3	9.0	14.3
Discounting effect on financial instruments and others	0.0	0.6	0.0	0.6
	9.8	16.5	9.8	16.5
(b) Finance costs				
Bank borrowings	(32.8)	(28.4)	(32.8)	(28.4)
RCUIDS profit payment	(15.3)	(15.2)	(15.3)	(15.2)
Discounting effect on financial instruments, bank facilities and other charges	40.8	(34.6)	40.8	(34.6)
	(7.4)	(78.2)	(7.4)	(78.2)
(c) Foreign exchange gain/(loss)				
- realized	4.4	(2.0)	4.4	(2.0)
- unrealized	40.4	(50.7)	40.4	(50.7)
	44.8	(52.7)	44.8	(52.7)

14. Income tax and Deferred tax

Income tax expense

The current taxation charge for the period to date mainly relates to the corporate income taxes for the subsidiaries in Malaysia.

Deferred taxation

No deferred tax has been recognised for the period ended 31 March 2023.

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

15. Property, plant and equipment, ROU and Finance Lease receivables

(a) acquisition and disposals

During the period ended 31 March 2023, the Group acquired property, plant and equipment with a total cost of RM33.4 million (period ended 31 March 2022: RM0.9 million).

During the period ended 31 March 2023, proceeds from the disposal of property, plant and equipment amounted to RM0.03 million (period ended 31 March 2022: RM0.05 million).

(b) revaluation

There was no revaluation of property, plant and equipment in the quarter under review or in the same quarter of the prior year.

(c) impairment

There was no impairment of property, plant and equipment and ROU assets in the quarter under review or in the same quarter of the prior year.

16. Quoted investments and properties

There was no purchase or disposal of quoted securities for the quarter under review and financial period-to-date.

17. Investments in associates

	As at 31/3/2023 RM million	As at 31/12/2022 RM million
Cost		
Investment	1,850.4	1,850.4
Share of results and reserves	(853.3)	(866.9)
Impairment loss	(59.2)	(59.2)
	937.9	924.3

MFRS128 provides that entities discontinue recognising their share of further losses when its share of the losses equals to or exceeds its interest in the associate. As at 31 March 2023, the Group has recognised all losses in these associates.

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18. Receivables and prepayments

	As at 31/3/2023 RM million	As at 31/12/2022 RM million
<u>Non-current</u>		
Prepayments	2,871.6	2,853.4
Deposits and other receivables	619.4	711.2
	3,491.0	3,564.6
<u>Current</u>		
Trade and other receivables	488.3	498.9
Prepayments	121.8	142.2
Deposits	70.4	9.8
	680.5	650.9

Prepayments include advances for the purchase of fuel as well as prepaid engine maintenance costs to the service provider.

19. Trade and other payables

	As at 31/3/2023 RM million	As at 31/12/2022 RM million
<u>Non-current</u>		
Other payables	281.6	280.8
<u>Current</u>		
Trade payables	864.1	1,242.9
Other payables	518.5	410.8
Accruals for fuel	165.5	127.0
Others	1,388.1	1,097.9
	2,936.2	2,878.6

Other payables and accruals include accruals for operational expenses and passenger service charges payable to airport authorities.

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20. Aircraft maintenance provision and liabilities

	As at 31/3/2023 RM million	As at 31/12/2022 RM million
Aircraft maintenance provisions	1,627.4	1,913.1
Aircraft maintenance payables	2,082.9	2,235.7
Aircraft maintenance reserve funds	2,256.5	1,989.3
	<hr/> 5,966.8	<hr/> 6,138.1
Current	441.1	599.9
Non Current	5,525.7	5,538.2
	<hr/> 5,966.8	<hr/> 6,138.1

- (i) Aircraft maintenance provision relates to contractual obligations by the Group to maintain the aircraft during the lease period until redelivery, based on pre-agreed conditions.
- (ii) Aircraft maintenance payables relate to provision for the Group's contractual obligations, in a sales and leaseback agreement, to incur on the return of an aircraft in a pre-agreed conditions.
- (iii) Aircraft maintenance reserve relates to payments made by the lessee subscribing to the engine maintenance programme for agreed maintenance work that has yet to be carried out.

The liabilities of the aircraft provisions/ payables are covered through the Group's prepaid engine maintenance cost to a service provider as disclosed in Note 18.

21. Borrowings

	As at 31/3/2023 RM million	As at 31/12/2022 RM million
<u>Short term</u>		
Term loans	232.5	233.6
Revolving credit	16.0	31.8
Convertible loan note	265.1	265.6
	<hr/> 513.6	<hr/> 531.0
<u>Long term</u>		
Term loans	1,299.0	1,302.4
Other facility	447.8	447.8
RCUIDS	652.1	655.5
	<hr/> 2,398.9	<hr/> 2,405.7
Total	<hr/> 2,912.5	<hr/> 2,936.7

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The currency profile of borrowings are as follows:

	As at 31/3/2023 RM million	As at 31/12/2022 RM million
Ringgit Malaysia	876.5	901.8
US Dollar	1,736.9	1,735.1
Philippine Peso	82.8	83.1
Thai Baht	172.2	172.8
Indonesian Rupiah	44.1	43.9
	2,912.5	2,936.7

As of 31 March 2023, a total of RM3.45 million RCUIDS converted into ordinary shares.

22. Lease liabilities

The lease liabilities amounting to RM14.9 billion includes deferred aircraft leases of approximately RM2.4 billion. The lease liabilities are supported by ROU assets of RM10.1 billion and finance lease receivables of RM0.4 billion.

The Group had completed the restructuring of a total of 133 aircraft leases up to the date of this report including the waiver of lease rentals in arrears, as well as reducing future lease rates with a corresponding longer lease term, where necessary, and return of aircraft.

23. Derivative financial instruments

(a) Early redemption option

The RCUIDS issued by the Group allows for an option of refinancing the debt at a price of 105% of the principal.

24. Contingent assets

As at the date of this report, the Group does not have any contingent assets.

25. Changes in contingent liabilities since the last annual balance sheet date

There were no material changes in contingent liabilities since the audited financial statements of the Group for the financial year ended 31 December 2022.

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26. Capital commitments outstanding not provided for in the interim financial report

Capital commitments for property, plant and equipment:

	As at 31/3/2023 RM million	As at 31/12/2022 RM million
Approved and contracted for	103,212	102,609

27. Material related party transactions

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 31 March 2023 are set out below:

	Quarter ended 31/3/2023 RM million	Quarter ended 31/3/2022 RM million
1. Transaction of the Group with associates of a subsidiary		
a. Purchase of cargo transportation capacity		
- Thai AirAsia	4.8	0.1
b. Commission charged		
- Thai AirAsia	35.8	8.1
c. Management fees		
- Thai AirAsia	12.1	6.2
2. Transaction of the Group with companies with common directors and shareholders		
a. Purchase of cargo transportation capacity		
- AirAsia X	33.9	70.4
- Thai AirAsia X	15.6	2.7
b. Management fees		
- AirAsia X	1.5	0.2
- Thai AirAsia X	1.6	-

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28. Review of Group Performance

The segmental information for the reportable segments for the quarters ended 31 March 2023 and 31 March 2022 are as follows:

	Aviation RM'000	Engineering RM'000	Teleport RM'000	SuperApp RM'000	BigPay RM'000	Others RM'000	Total Segments RM'000	Elimination adjustments RM'000	Total RM'000
QTD									
31/3/2023									
Revenue	2,239,027	103,295	151,966	158,797	10,743	92,152	2,755,980	(226,267)	2,529,713
Staff costs	(234,731)	(37,004)	(17,149)	(43,530)	(14,363)	(82,843)	(429,620)	2,191	(427,429)
Fuel costs	(958,141)	-	-	-	-	-	(958,141)	-	(958,141)
Maintenance and overhaul	(118,798)	(41,238)	-	(474)	-	(13)	(160,523)	93,277	(67,246)
User charges and other related expenses	(345,253)	-	(118,221)	(30,210)	-	(13,510)	(507,194)	84,130	(423,064)
Other operating expenses	(84,155)	(6,484)	(7,601)	(60,583)	(24,296)	(21,139)	(204,258)	49,194	(155,064)
Other income	2,877	-	33	350	130	69	3,459	-	3,459
EBITDA	500,826	18,569	9,028	24,350	(27,786)	(25,284)	499,703	2,525	502,228
Depreciation & amortisation									(363,767)
Interest expense									(176,460)
Interest income									9,764
Share of results of associates/ joint venture									13,352
Segment results									(14,883)
Foreign exchange gain									44,773
Profit before tax									29,890

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28. Review of Group Performance (cont'd.)

The segmental information for the reportable segments for the periods ended 31 March 2023 and 31 March 2022 are as follows: (cont'd.)

	Aviation	Engineering	Teleport	SuperApp	BigPay	Others	Total	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Segments	adjustments	RM'000
QTD									
31/3/2022									
Revenue	628,994	56,178	146,948	57,728	5,985	84,353	980,186	(168,402)	811,784
Staff costs	(122,471)	(21,384)	(11,638)	(34,928)	(13,661)	(55,409)	(259,491)	(1,819)	(261,310)
Fuel costs	(348,363)	-	-	-	-	-	(348,363)	-	(348,363)
Maintenance and overhaul	(190,950)	(18,925)	-	-	-	-	(209,875)	63,562	(146,313)
User charges and other related expenses	(119,143)	-	(134,785)	(7,467)	(1,804)	(41)	(263,240)	38,490	(224,750)
Other operating expenses	(102,229)	(6,428)	(5,626)	(35,911)	(22,357)	(36,276)	(208,827)	68,023	(140,804)
Other income	(15,979)	-	3	84	47	0	(15,845)	17,026	1,181
EBITDA	(270,141)	9,441	(5,098)	(20,494)	(31,790)	(7,373)	(325,455)	16,880	(308,575)
Depreciation & amortisation									(380,784)
Interest expense									(238,353)
Interest income									16,483
Derivative gain									30,614
Share of results of associates/ joint venture									(143,119)
Segment results									(1,023,734)
Foreign exchange loss									(52,730)
Loss before tax									(1,076,464)

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28. Review of Group Performance (cont'd.)

Consolidated Group Performance

Driven by the revival of air travel during the period, the Group reported a revenue of RM2,529.7 million for 1Q2023. The reported revenue was more than triple the revenue in the same period of 2022. The increase was mainly attributed to the strong demand from both domestic and international travel, in tandem with the relaxation of travel and entry requirements.

In the first quarter, 81% of the Group's revenue was attributed to the aviation segment while 5% of revenue was derived from the logistics business, 9% from the digital and other businesses and the remaining 4% was contributed by the engineering business. The revenue of Superapp was more than double the revenue in 1Q2022, while BigPay saw an increase in revenue by 79%, mainly due to strong demand from travel and an increase in user base and customer spending.

The Group reported a positive EBITDA of RM502.2 million in 1Q2023 as compared to a negative EBITDA of RM308.6 million in 1Q2022 following the improvement in the overall performance of the aviation segment. The Group reported a net profit of RM26 million in 1Q2023 as compared to a net loss of RM1,077.2 million in 1Q2022. The current quarter recorded a share of profit of RM13.6 million from associates and foreign exchange gain of RM44.8 million due to the appreciation of local currencies against the USD during the quarter.

Cashflow commentary for current quarter against corresponding quarter

Net Cash Flow	Period ended 31/3/2023 RM million	Period ended 31/3/2022 RM million
Cash from/(to) Operating activities	528.7	(441.0)
Cash from/(to) Investing activities	(38.1)	(188.9)
Cash from/(to) Financing activities	(374.0)	(260.0)
Net cash flow for the Period	116.7	(889.9)

Operating Cash flow was positive due to overall improvement in the business. Cash flow from investing activities included the purchase of property, plant and equipment and deposits paid for aircraft purchase. Cash flow from financing activities for the current period included net of payment of debt and aircraft leases.

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28. Review of Group Performance (cont'd.)

(a) Aviation

Performance indicators

	Jan to Mar 2023	Jan to Mar 2022	Change %	YTD 2023	YTD 2022	Change %
Passengers Carried	8,576,362	3,749,237	129%	8,576,362	3,749,237	129%
Capacity	9,794,088	4,941,132	98%	9,794,088	4,941,132	98%
Seat Load Factor	88%	76%	12%	88%	76%	12%
RPK (million)	9,728	3,231	201%	9,728	3,230	201%
ASK (million)	11,201	4,288	161%	11,201	4,288	161%
Average Fare (RM)	210	131	60%	210	131	60%
Unit Passenger Revenue (RM)	258	161	60%	258	30	767%
Revenue / ASK (sen)	19.75	14.08	40%	19.75	14.08	40%
Revenue / ASK (US cents)	4.51	3.35	34%	4.51	3.35	34%
Cost / ASK (sen)	19.69	32.96	-40%	19.69	32.96	-40%
Cost / ASK (US cents)	4.49	7.85	-43%	4.49	7.85	-43%
Cost / ASK-ex Fuel (sen)	11.13	24.84	-55%	11.13	24.84	-55%
Cost / ASK-ex Fuel (US cents)	2.54	5.92	-57%	2.54	5.91	-57%
Aircraft (end of period)	154	152	1%	156	152	3%
Average Stage Length (km)	1,140	868	31%	1,140	868	31%
Number of Flights	53,524	26,916	99%	53,524	26,916	99%
Fuel Consumed (Barrels)	1,811,189	722,539	151%	1,811,189	722,539	151%
Average Fuel Price (US\$ / Barrel)	121	115	5%	121	115	5%

The Aviation Group reported a revenue of RM2,239.0 million for 1Q2023, up 256% compared to the same period last year, in tandem with the upsurge of domestic and international travel. The strong rebound catapulted revenue to 85% of the pre-covid period with 57% of current capacity and a positive EBITDA margin of 22% against a negative EBITDA margin in 1Q2022. Fuel charges partly mitigated the high fuel costs and supported the improvement in EBITDA margin in 1Q2023 although not in 1Q2022 as the implementation of fuel surcharge was towards the end of 1Q2022. The effects of cost efficiency in staff cost and user charges in tandem with increase in capacity also led to the improvement in EBITDA margin.

Overall, the Aviation Group reported an EBITDA of RM500.8 million compared to a loss in the same period last year, backed by higher passengers carried and capacity, consistent with the higher number of operational aircraft and also increase in average fare.

At 88%, AirAsia Malaysia's quarterly load factor improved by 1 percentage point ("ppt") from 4Q2022 and 1Q2019. The airline carried 2.3 million international passengers, a surge of 17% QoQ. This was driven by the 19% increase in international capacity boosted by the extended Lunar New Year holiday where the Kuala Lumpur - Singapore route contributed more than 10% of the total international passengers carried. Despite a slight drop of 1% QoQ in domestic capacity, passengers carried grew by 3% leading to an impressive 92% load factor, achieving close to 75% of pre-pandemic levels.

AirAsia Thailand maintained its impressive record with the highest quarterly load factor of 92%, up 2 ppts QoQ. Notably, China's routes achieved an astounding load factor of 90%. Being a core destination choice for international travellers, the airline sold 26% more international seats than the prior quarter, achieving 59% of 1Q2019 levels. Meanwhile, the domestic sales also saw an uptick of 8% QoQ, 92% of its pre-Covid levels. With passengers carried and capacity stood at 78% and 76% of 1Q2019 levels, respectively and the ASK grew 15% QoQ. The airline flew to 24 domestic and 37 international destinations.

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NOTES TO THE UNAUDITED FINANCIAL STATEMENT

28. Review of Group Performance (cont'd.)

(a) Aviation (cont'd.)

AirAsia Indonesia recovered the most on the sale of its international seats, to 70% of its pre-Covid level. The recovery for AirAsia Philippines is also progressing well, with the number of flights, seat capacity, and passengers carried recovered to between 83% and 84% of pre-pandemic levels. These achievements led to a remarkable load factor of 92%, which together with AirAsia Thailand recorded the highest load factor within the Airlines Group in 1Q2023. This was driven by full recovery of the domestic market and stronger demand for international destinations. Additionally, 1.4 million of domestic seats were sold in 1Q2023, up by 8% QoQ and exceeding the 1Q2019 level by 8%. While, international seats sold were up by 70% QoQ.

(b) Asia Digital Engineering (ADE)

Engineering	Jan to Mar 2023	Jan to Mar 2022	change
No. of line	7	3	4
No. of hangar check	14	8	6

Asia Digital Engineering (“ADE”) reported a revenue of RM103.3 million in 1Q2023, an increase of 84% against 1Q2022, as travel resumption and increased flights drove the demand for MRO services. ADE provides a comprehensive suite of aviation MRO services, including line and base maintenance services, spare parts, workshop services, engineering maintenance services, component warehousing and digital and innovation services. ADE reported a positive EBITDA of RM18.6 million in 1Q2023, primarily driven by the increase in revenues and its lean and efficient cost structure.

(c) Digital

	Jan to Mar 2023	Jan to Mar 2022	change %
SuperApp			
Monthly Active Users (MAU)('000)	12,855	10,740	20%
No. of Transactions ('000)	5,980	3,000	99%
Gross Booking Value (RM'mil)	3,112	733	324%
BigPay			
Total Users (cumulative)	3,797,154	3,182,737	19%
Carded Users (cumulative)	1,366,169	1,168,361	17%
Teleport			
Tonnage (tonnes)	35,723	25,625	39%
Yield (RM/kg)	3.34	5.21	-36%
No. of Delivery ('000)	5,685	945	502%

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28. Review of Group Performance (cont'd.)

(i) airasia Superapp

airasia Superapp's revenue for the quarter was RM158.8 million, a significant 175% increase against 1Q2022, driven by the strong revival of domestic and international travel demand in most regions.

airasia Superapp's Online Travel Agency ("OTA") platform recorded an increase YoY in transactions in light of the resurgence of travel demand as it continues to strengthen its position as one of Asean's top OTAs.

airasia Superapp's e-hailing service, airasia ride recorded encouraging results in 1Q2023, with 135% YoY growth in transactions and 158% YoY growth in GBV leading to a significant 795% YoY growth in Revenue. This was driven by higher completion rates and improved productivity from fleet drivers.

In terms of Monthly Active Users ("MAU") airasia Superapp achieved 12.9 million average MAU during the quarter, an increase of 20% YoY. This was primarily due to the strong return of travel and increased user acquisition on the mobile app. Additionally, the number of transactions increased 99% YoY, which were driven primarily by increased transactions from Flights, airasia ride, FlyBeyond, and SUPER+.

(ii) BigPay Group

BigPay's YoY revenue increased by 79%, driven by increased activity and spending, and growth of our user base. Our carded users stood at 1.4 million, with a healthy growth of 17% YoY. Strong spending growth with the recovery in Airasia flight volume, combined with further improvement in take rates from the payments business, helped drive the acceleration of revenue growth. The remittance business also saw strong growth, reaching the RM1 billion milestone for international remittances. Growth in this business unit further boosted overall unit economics through the quarter.

Continued operational discipline and efficiency measures reduced operating expenses in the quarter EBITDA loss narrowed by 10% YoY.

(iii) Teleport

Teleport posted a quarterly segmental revenue of RM152 million, a 15% growth YoY due to third party capacity additions and regional deals with global freight forwarders. Teleport also achieved a positive EBITDA of RM9 million. It was a record quarter for e-commerce achieving an average of 63k daily deliveries, up 84% QoQ on the back of building operational scale capabilities that will provide a solid platform for growth in 2023.

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29. Variation of results against preceding quarter

The Group recorded a positive EBITDA of RM502.2 million for the quarter under review, against the EBITDA of RM175.5 million in the preceding quarter ended 31 December 2022 primarily due to better performance of the aviation segment. The Group recorded a net profit of RM26 million for the quarter under review, against the net profit of RM37.3 million in the immediately preceding quarter mainly due to the share of profit from associates of RM173.9 million and foreign exchange gain of RM207.7 million in 4Q2022 despite a lower EBITDA in 4Q2022 as compared to 1Q2023.

30. Profit forecast

No profit forecast has been issued.

31. Commentary on prospects

The ongoing resurgence of air travel continued to result in significant rebound for the industry compared to the same period a year ago, benefiting the Group not only in the aviation segment, but also in the digital, logistics and aviation services segments. After concluding FY2022 with a positive EBITDA quarter, the Group sustained its momentum in 1Q2023 and achieved higher EBITDA although the aviation group was only operating at 68% of full capacity. The 1Q2023 result is a testament to the efficacy of the ecosystem we have built, which is now demonstrating tangible returns.

International travel remains the primary catalyst for our aviation business. The swift aircraft restoration efforts continue to enable us to add capacity in a timely manner and benefit from the favourable high yield environment. Seizing the opportunity from the reopening of the China market in March 2023, both AirAsia Malaysia and AirAsia Thailand, which have previously enjoyed considerable financial benefits from China routes, have been prioritising deploying capacity to China to capitalise on the pent-up demand. We anticipate the high fares to persist. As we reactivate more aircraft, we would be able to remove dead costs and improve the overall financial position.

The Group targets to reactivate all its aircraft by the end of the third quarter 2023. In addition to the MRO activities to bring back the aircraft to service, one other key success factor to make this happen is having sufficient resources. Therefore, the Group has officially resumed its Cadet Pilot Programme in March, in line with our commitment to restore pre-Covid capacity, expand routes and increase flight frequencies.

After a strong finish in 2022, Asia Digital Engineering Sdn. Bhd. (“ADE”) managed to secure a USD100 million funding from OCP Asia Ltd. The funds will be channelled to the construction of a new aircraft maintenance hangar facility in Sepang. With the addition of 14 new lines to its operations, ADE will enhance its base maintenance capacity to serve AirAsia and also grab the opportunity to serve other third-party airlines. Additionally, the funding is timely to support ADE’s Asean expansion plan this year.

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31. Commentary on prospects (cont'd.)

Teleport has benefited greatly from the reactivation of more AirAsia fleet, as more passenger belly space is made available for Teleport to sell. With the reopening of the China market, Teleport has also progressively resumed cargo lanes to China from Malaysia, Thailand and the Philippines. The first arrival of an A321 Freighter is expected to be in June 2023, with service commencement scheduled in the same month. Two more freighters are in the pipeline. All this additional capacity is to accommodate the growing demand of trade and cross border e-commerce.

Airasia Superapp has continuously introduced several strategic initiatives to drive user engagement and enhance customer convenience to increase app loyalty. Of particular significance is our recent partnership with foodpanda, of which foodpanda operates the food delivery for Superapp while using airasia ride-hailing as one of its delivery service providers. This collaboration immediately broadens our market presence. Users from both platforms can now conveniently access both services in one place, creating valuable opportunities for cross-selling. Internally, the airasia Superapp and BigPay are working closer together to extract more commercial synergies. For example, airasia Superapp is positively discriminating BigPay's users on its platform to drive BigPay's user acquisition and transaction volume. As we work the ecosystem, not only can we provide better benefits to our users, but we can also anticipate revenue upside and operational growth.

The Group published its Sustainability Statement for FY2022 that highlights key sustainability related developments and achievements. It encompasses the details of the Sustainability Redbook, the Group's short- and medium-term plan, to incorporate sustainability practices into its strategic priorities to achieve the net zero carbon by 2050 goal. Much attention was focused on bridging data gaps and improving data disclosures to provide a more accurate reflection of the sustainability performance of the Group's entities.

As the Group progressively lays the foundations to embed sustainability into the business, the Sustainability Policy was published to further strengthen its commitments towards advancing the sustainability agenda. The next few months will focus on internalising the Sustainability Redbook and Sustainability Policy through increasing awareness on sustainability across our operations and empowering our entities in working towards the common goal of creating shared sustainable value for all. The Group will also focus on building a culture within the organisation for everyone to think and act sustainably.

With all the initiatives in place, the Board expects the Group to perform better than the previous year.

32. Material Litigation

As at 31 May 2023, there was no material litigation against the Group.

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33. Subsequent event

On 31 May 2023, AirAsia Aviation Group Ltd (“AAGL”) entered into a Master Brand Licensing Agreement (“MBLA”) with AirAsia Berhad (“AAB”) and also a Brand Sub Licensing Agreement (“SBLA”) with Thai AirAsia Co., Ltd (“TAA”) and Asia Aviation Public Company Limited (“AAV”), the parent company of TAA. Effective from 1 Jan 2023, the effective date specified in the SBLA, TAA has to comply with the branding and operation requirements and recommendations made by AAGL under the SBLA. Pursuant to this, in accordance with MFRS 10, AAV, as a parent company of TAA, is therefore, deemed as a subsidiary of AAGL for accounting consolidation purpose.

34. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company for the financial period by the weighted average number of ordinary shares in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Year ended	Year ended
	31/3/2023	31/3/2022	31/3/2023	31/3/2022
Net profit/(loss) attributable to owners of the Company (RM'000)	57,095	(903,791)	57,095	(903,791)
Weighted average number of ordinary shares in issue ('000)	4,053,425	4,049,374	4,053,425	4,049,374
Basic earnings per share (sen)	1.4	(22.3)	1.4	(22.3)

35. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

By order of the Board

HARMINDER SINGH A/L JAILA SINGH
(P.C Reg No: 201908001591)(LS0009855)
COMPANY SECRETARY
31 MAY 2023