# Social

## HEALTH & SAFETY

The health and safety of our Allstars and guests is of paramount importance. Health and safety governance is headed by our Chief Safety Officer who oversees all aspects of safety in Capital A. We have a comprehensive framework of systems and processes to ensure that Allstars are able to carry out their functions safely.

### (i) Operational Safety

Our activities are governed by a host of manuals, safety policies and SOPs which are regularly reviewed and updated. These are accessible points of reference to guide safe behaviour among Allstars and inculcate a positive safety culture in which all employees are involved and actively engaged.

In 2020, we began a process of standardisation of some of the key manuals at group level so that all AOCs are brought up to best practice standards. Further updates were made in 2021 to reflect changes in the Capital A structure. Three key manuals which were refreshed were:

| Manual | Description & Update |
|---|---|
| Safety Management System (SMS) | • Standardises operational practices which ensure that risks are proactively managed and relevant procedures are in place to prevent serious incidents<br>• Incorporates the requirements of ICAO Annex 19, ICAO DOC 9859, IOSA, Civil Aviation Authorities<br>• Updated in 2021 to comply with latest regulatory requirements and civil aviation directives |
| Emergency Response Plan (ERP) | • Covers our response to major aircraft incidents or other adverse events that result in serious injuries, fatalities, severe damage and/or significant operational disruption<br>• Standardised at Group level in 2021 for central management and coordination |
| Occupational Safety Health & Environment (OSHE) | • Outlines standards and operating procedures to ensure the safety and well-being of Allstars, contractors and visitors to Capital A<br>• Incorporated in Capital A's operations in 2021 |

To ensure compliance with operational safety standards, our Group Operational Quality Assurance Departments undertake regular operational audits while our Safety Department monitors occupational safety and tracks and investigates all safety reports raised.

# Social *(cont'd.)*

***Group Operational Quality Assurance***

In 2016, we established our Group Operational Quality Assurance (GOQA) to ensure all our AOCs comply with applicable regulations, IATA Operational Safety Audit (IOSA) standards and recommended practices. Since 2018, GOQA has been certified to ISO 9001:2015 Quality Management System.

GOQA is responsible for conducting the Internal Operations Audit (IOA) and the Joint Station Compliance Audit (JCSA) which is conducted annually at all hubs and main bases, and once every two years at all other stations. To ensure that we maintain oversight despite Covid-19 travel restrictions, GOQA developed Remote Assessment Programmes to enable scheduled audits to continue, thereby ensuring the integrity and safety of our airline operations.

These audits aim to close gaps and prepare our AOCs for the IOSA certification. IOSA certification represents the industry gold standard indicating the highest standards of operational safety and efficiency. As a non-IATA member, certification is optional for AirAsia. Nevertheless, we ensure that all AirAsia airlines meet IOSA standards through undergoing IOSA audits and mirroring the audit processes in GOQA's IOAs. In 2019, all AirAsia AOCs successfully obtained IOSA certification.

In August 2021, IOSA registration was successfully renewed for AirAsia Malaysia. In the interim, GOQA conducted IOAs at IAA and PAA in January and June 2021 respectively, returning no major findings in need of remedial action.

| Airline (AOC) | Latest IOSA Certification Date | Remarks |
|---|---|---|
| AirAsia Malaysia - AK | 6 August 2021 | IOSA Registration renewed via Remote Audit in August 2021 |
| AirAsia Indonesia - QZ | 21 June 2019 | GOQA IOA completed in Jan 2021 |
| AirAsia Philippines - Z2 | 31 May 2019 | GOQA IOA completed in June 2021 |

The table below depicts the total number of Remote Assessment Audits carried out in 2021:

| Audit | No. of Audits Performed | Remarks |
|---|---|---|
| Joint Station Compliance | 53 | Audits conducted at all operational stations groupwide |
| Internal Operational | 6 | IAA, MAA, AAI, PAA, TAA and AAX |

In February 2022, airlineratings.com awarded AirAsia with its highest star rating for a second year in a row. AirAsia Group was also named one of the Top 20 safest LCCs in the world.

* airlineratings.com ranks 385 airlines around the world

Group Aircraft Health Monitoring Function is another safety associated function undertaken by GOQA. The objective is to maintain oversight of recurrent defects in all aircraft operated by AirAsia. GOQA monitoring adds a second layer of oversight to AOC-level monitoring. The technical health of aircraft is monitored daily in real time, and any defect identified is brought to the attention of the Maintenance Operations Departments of the relevant AOC, to ensure timely rectification. Weekly monitoring reports are then shared with management and stakeholders in the AOCs. This monitoring function not only prevents aircraft from being grounded but also helps avoid undesirable events and incidents associated with system defects. This contributes to the overall safety and reliability of aircraft operations. In 2021, we issued 52 weekly Aircraft Health Monitoring Reports.

**(ii) Occupational Safety**

In 2021, we successfully completed the following health and safety audits and/or certifications.

| Certification | Relevant Department/Hub/Division |
|---|---|
| Occupational Safety and Health (OSHWA) Audit | Penang Hub - audit was conducted in March 2021 |
| Occupational Safety and Health (SoHELP) | ADE registered for SoHELP Programme in July and completed second verification in March 2021 |
| Occupational Safety and Health USECHH Regulation 2000 (Use and Standard of Exposure of Chemicals Hazardous to Health) | Chemical Health Risk Assessment was conducted at the Ground Service Equipment workshop |
| Food Safety Management System - ISO 22000:2018 | Successfully completed a surveillance audit of the Inflight Warehouse (CAE Building) in Sepang in June 2021 |

As part of our safety culture, we encourage Allstars to report any unsafe occurrence or potential hazard so that necessary actions can be taken to avert serious incidents. This includes reports on fatigue during operations. Reports are submitted via Coruson, an enterprise safety and risk management software. In 2021, a total of 11,609 safety reports were received for our safety data collection and processing system (SDCPS) across the Group. These safety reports were then managed and actioned in accordance with the Safety Report handling processes.

With safety culture deeply entrenched in AirAsia, our Safety Team focused on providing safety training to colleagues in other Capital A subsidiaries. Below are the key safety trainings delivered in 2021.

| Training | Description | Focus Group | Number of Participants | Average Training Hours |
|---|---|---|---|---|
| Redeye Training | Redeye Training was provided to enable Allstars to use the new reporting system for Allstars Covid-19 infection. | • Ground Team Red (GTR)<br>• Asia Digital Engineering (ADE)<br>• Teleport | 12 | 6 |
| National Institute of Occupational Safety and Health (NIOSH) | Training was provided to Allstars at ADE to reduce work-related risks through correct behaviours. | • ADE | 12 | 8 |
| Safety Induction Training | Safety Induction Training ensures new staff or persons entering AirAsia premises are briefed on safety practices. | • Allstars<br>• Visitors<br>• Vendors | 12 | 1 |
| Airside Safety Training | The Airside Safety Training was provided to ensure all operational Allstars working at the airside are familiar with the airside safety procedures and processes | • ADE<br>• Ground Operations<br>• AirAsia X Engineering | 416 | 2 |

# Social *(cont'd.)*

The table below provides a summary of our work-related injuries record. It was noted that the majority of recorded work-related injuries were caused by lifting heavy loads. To further minimise occupational injuries among ground handlers, daily safety briefings are conducted by supervisors prior to start of work. Instructions on lifting techniques and back support straps were also provided. Pre-Covid, our Physiolab team conducted bi-weekly ergonomic assessments on Allstars, especially ramp staff. However, due to the pandemic and to ensure the safety of Allstars, we continued our physio sessions online.

*Work-related injuries*

| Reporting Year | FY2019 (restated)[1] | FY2020 (restated)[1] | FY2021 |
|---|---|---|---|
| Total man-hours worked | 37,988,352 | 29,399,136 | 14,224,896 |
| Number of fatalities as a result of work-related injury | 0 | 0 | 0 |
| Number of recordable work-related injuries | 142 | 71 | 36 |
| Types of work-related injuries | Workplace (bodily) injuries | Ergonomic related injuries | Ergonomic related injuries<br>Bodily injuries |
| Number of lost days | 568 | 384 | 140 |
| Incident rate | 3.9 | 0.001 | 2.1 |
| Severity rate | 11.9 | 7.1 | 6.3 |

[1] *Restated to include only AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines, in line with the financial disclosures.*

*Note:* The Incident Rate = No. of accidents (E) X 1,000 /annual average of no. of employees; Severity Rate = Total workdays lost (C) X 1,000,000 /total man-hours worked (Y)

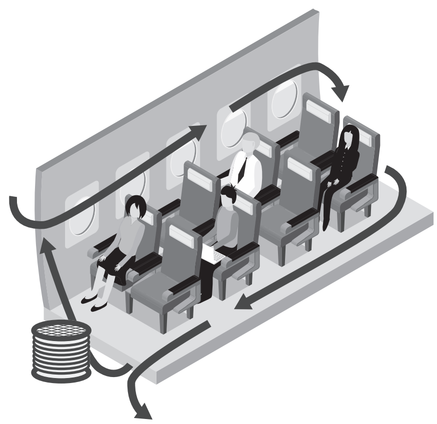
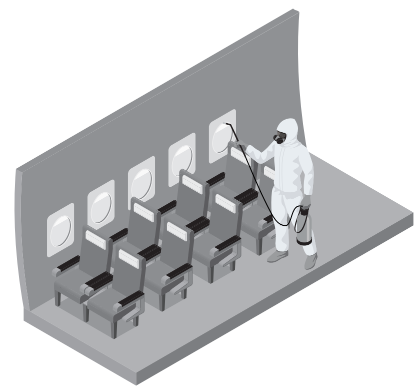
**Identification & mitigation of safety risks and situations**

Hazard Identification, Risk Assessment Risk Control (HIRARC) was conducted for every incident followed by proposing safety recommendations to avoid recurrence. In addition to Quarterly Safety Committee meetings, safety training and regular safety observation and on-job guidance were also conducted in 2021.

## Safety in the Pandemic

### *Onboard Safety*

Since 2020, we have introduced a host of measures to minimise the risk of Covid-19 transmission on our flights. Last year, some of these measures were enhanced based on new developments such as our new policy, announced in October 2021, to accept only vaccinated adult guests and guests under the age of 18 only if they are accompanied by fully vaccinated parents or guardians. Some of our main measures are illustrated below.

| Pre-flight | During flight | Post-flight |
|---|---|---|
|  |  |  |
| Minimisation of check-in contact through FACES, mobile check-in, self-baggage drop and digital boarding pass | HEPA filters ensure the highest level of air quality with 99.997% micron filtration | Disinfection carried out on all aircraft daily and thorough cleaning during each transit |
| Regular disinfection of counters and kiosks | Mandatory mask policy onboard all flights | Passenger contact tracing when case is confirmed by health authorities |
| Health declaration by all air crew prior to duty | Vaccinated guests only | |

**Cabin Crew Guidelines**

- Wear the prescribed personal protection equipment (PPE) before reporting for flights
- Maintain social distancing at all times; and ensure guests maintain social distancing during boarding and disembarkation
- Sign-on for duty via mobile phones by connecting to company's WiFi network
- Greet fellow Allstars and guests the Asean way
- Self-sanitise regularly on the way to the office, before meeting colleagues, and upon boarding the plane
- Wear PPE in all phases of the flight; no touching of hair of face, even if wearing gloves
- Disinfected cabins and high-touch areas using approved and recommended chemicals/agents
- Undergo regular Covid-19 self-testing

# Social *(cont'd.)*

### *Workplace Safety*

Various other tools have been introduced to coordinate Covid-19 information, policies and procedures so that Allstars and guests receive the latest information to ensure their safety. These include:

| Tool | Description |
|---|---|
| Safe@Work Guide | Launched in April 2020 on Workplace, the guide covers general Covid-19 knowledge, the process for reporting cases, work arrangements and resources available for working safely and staying up to date with Ministry of Health (MOH) directives. |
| Safe@AirAsia Knowledge Library | Online library of all resources Allstars need for working safely and staying up to date. In 2021, we regularly updated relevant procedures based on MOH's recommendations. |
| Covid-19 Reporting Platform | New reporting form implemented in February 2021 in RedEye, the Group's incident reporting platform, for better tracking of daily cases. |
| Covid-19 Standards Manual | Published in 2021, this manual streamlines Covid-19 management across our AOCs to ensure standardisation and sharing of best practices. |

**Allstar Office Guidelines**

Temperature checks prior to entering office premises

FACES activated turnstiles at office entry points

Mandatory mask-wearing

Random Covid-19 testing

Regular disinfection of workstations

Maximum number of users for meeting rooms to enable effective social distancing

Covid-19 reporting internal portal so that office contacts are traced and work space sanitised

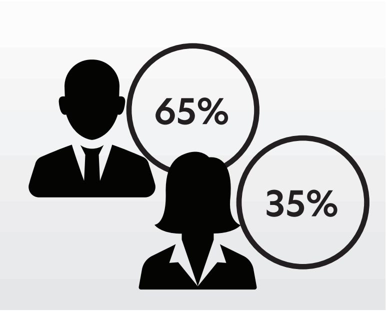
Allstars not performing critical operational roles were permitted to work from home unless their presence at the workplace was required while a split-team approach was adopted for Allstars required in the office.

## TALENT ATTRACTION & RETENTION

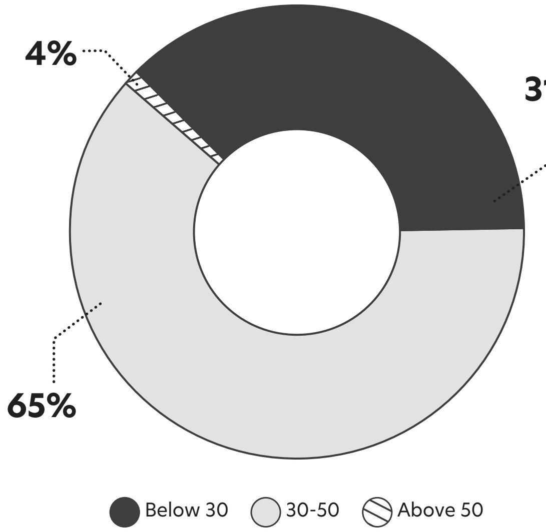
### (i) Diversity & Inclusion

We recognise the value of diversity for the different perspectives that it brings which enhances our decision-making. We do not tolerate any form of discrimination on the basis of race, religion, cultural background, gender, age, sexual orientation, disability or nationality.

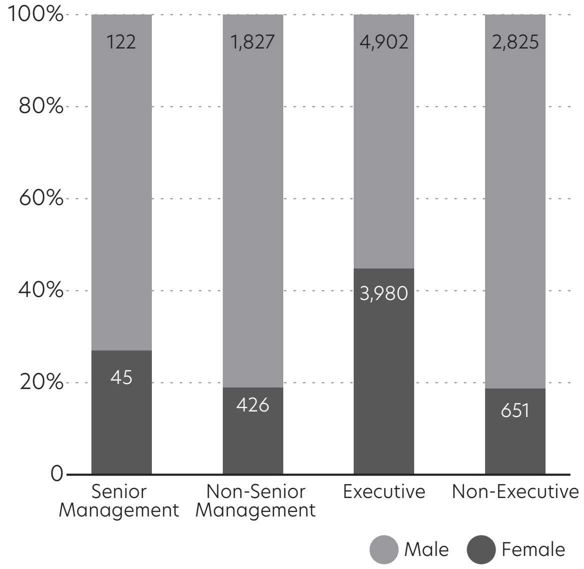
With our headquarters in Malaysia, and significant operations in Thailand, Indonesia and the Philippines, we consider ourselves an Asean company. Diversity at Capital A does not stop with citizenship; we also seek to have a good mix of age groups and genders. In 2021, the Group comprised a total of 14,778 employees, comprising 65% men and 35% women.



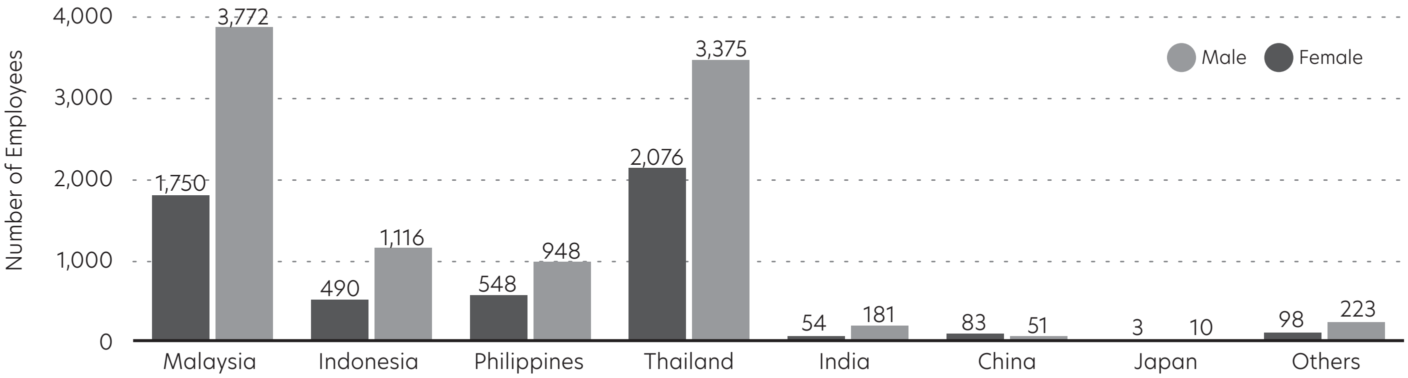

*Employee Breakdown by Age Group*




*Employee Breakdown by Employment Category and Gender*




*Employee Breakdown by Nationality*




In 2021, Capital A launched our first Diversity, Inclusion and Belonging survey to gather the views and perspective from Allstars on how we are doing in these areas. The survey will serve as a baseline for us to develop strategies to deliver our commitment to be a diverse and inclusive organisation. In 2022, we intend to set up a Diversity and Inclusion committee to oversee and advance gender diversity and fair treatment of all Allstars across the Group.

We seek to be inclusive by treating all Allstars equally, without discrimination. All employment letters state clearly that any form of racism or discrimination is not acceptable and will not be tolerated in Capital A.

# Social *(cont'd.)*

***Gender Equality***

We strive for gender equity across the Group at all levels and occupations in our approach to employment and promotion. The results of our decades-long effort to increase women participation in technical roles has borne fruit with the current employment of 135 female pilots. However, we recognise that we still have a long way to go towards achieving gender equality across the board, and having at least 30% women representation in junior management and STEM roles.

In March 2021, we organised our first speed mentorship programme in conjunction with International Women's Day. The initiative offers an opportunity for Allstars to meet and learn directly from some of our amazing women leaders at Capital A. This was followed by a second session in July featuring AirAsia Indonesia CEO, Veranita Yosephine, who spoke on Navigating Your Career Path. In 2022, we will continue to strengthen our commitment towards women empowerment by inviting women leaders in the industry to participate in this series.

In stepping up our efforts, we are also publishing our first gender pay gap statistics for Capital A for a broad understanding of our current position. The table below shows our gender pay gap calculated on the basis of mean male and female salaries within each job grade, excluding pilots, cabin crew and aircraft engineers.

**Gender Pay Gap - Group-Wide excluding pilots, cabin crew and aircraft engineers**

| Job Level | Gender | 2021 | | |
|---|---|---|---|---|
| | | Number of employees | Percentage, % | Pay Gap |
| JG8 | Male | 14 | 58% | 7.66% |
| | Female | 10 | 42% | |
| JG7 | Male | 47 | 68% | -13.33% |
| | Female | 22 | 32% | |
| JG6 | Male | 89 | 64% | 7.96% |
| | Female | 49 | 36% | |
| JG5 | Male | 232 | 58% | 2.64% |
| | Female | 169 | 42% | |
| JG4 | Male | 174 | 53% | -10.48% |
| | Female | 156 | 47% | |
| JG3 | Male | 191 | 49% | -1.61% |
| | Female | 196 | 51% | |
| JG2 | Male | 405 | 45% | -5.37% |
| | Female | 492 | 55% | |
| JG1 | Male | 230 | 78% | 14.11% |
| | Female | 66 | 22% | |

*Note: (mean pay of female Allstars - mean pay of male Allstars)/mean pay of male Allstars *100*

Based on our findings, we did not detect any systemic gender-based bias in our pay scales. The only job grade that stands out with a gap approaching the 15% threshold that we have set internally as acceptable variance, taking into account differences in job types and countries of employment, is JG1. JG1 includes Allstars employed in a broad range of jobs, from supply chain workers to personal assistants. One explanation for the difference is that supply chain employees tend to be predominately male and are paid as per market rate for those roles. The female workers in this grade tend to be in administrative roles in corporate offices such as personal assistants and are benchmarked to similar roles. In 2022, we will be expanding our analysis to include comparisons of job families to further improve our understanding of our employee remuneration profile.

The table below shows gender pay gap data for the three main operation functions at our airline subsidiary. Unlike the earlier functions, remuneration for these roles are tenure-based, measuring the individual's flying hours and number of years working at AirAsia. The differences in pay levels are due to a historical industry-level bias that produced more male pilots and engineers. AirAsia has been making significant efforts to address this by employing and training more female pilots over the past decade than any other airline in Asean. This is evident from the relatively high number of female AirAsia pilots in 2021 at 6.1% compared with the global average of 5.8%, according to Statista.com. We will continue to support women pilots joining the ranks. As our current cohort of female pilots rise in seniority and flying hours, the pay gap will diminish over time.

A similar situation applies to our employment of aircraft engineers. The gender imbalance among engineers is an issue we have tried to address. However, this is curtailed by fewer female aircraft engineers joining the workforce. As the sector recovers, we will be able to consider devoting more resources into establishing a cadet programme for female aircraft engineers and improving our sourcing to attract more applicants as this continues to be a challenge.

**Gender Pay Gap - AirAsia**

| Job Category | Gender | 2021 | | |
|---|---|---|---|---|
| | | Number of employees | Percentage, % | Pay Gap |
| Captain | Male | 1,062 | 97% | -8.86% |
| | Female | 32 | 3% | |
| First Officer | Male | 1,026 | 91% | -8.09% |
| | Female | 103 | 9% | |
| Licensed Aircraft Engineer | Male | 336 | 96% | -12.73% |
| | Female | 15 | 4% | |
| Other Engineer | Male | 152 | 82% | -23.34% |
| | Female | 34 | 18% | |
| Cabin Crew | Male | 981 | 32% | 3.76% |
| | Female | 2,073 | 68% | |

***Super Equal***

At airasia Super App, women make up 52% of the total workforce.
The business also has one differently-abled Allstar on board.

***Anti-Harassment Policy***

On 1 November 2021, the Group published an updated Anti-Harassment Policy to replace the previous Anti Sexual Harassment Policy reiterating our zero tolerance for harassment of any form. Allstars were made aware of the Anti-Harassment Policy via email notifications, following which the policy has been made available on our shared drive which is accessible to all Allstars. In addition, to create greater clarity on acceptable or unacceptable behaviours, our Employee Relations team is developing an online e-learning module on harassment, which we hope to upload onto our e-learning platform in the first quarter of 2022. This module will be accessible to all current employees and introduced into the orientation training list for all new employees. Allstars can also connect directly with the Employee Relations team via our askPAC should they have any query or complaint with regard to harassment.

Reports on harassment will be investigated, and appropriate action taken against any employee found guilty. This includes the possibility of dismissal.

# Social *(cont'd.)*

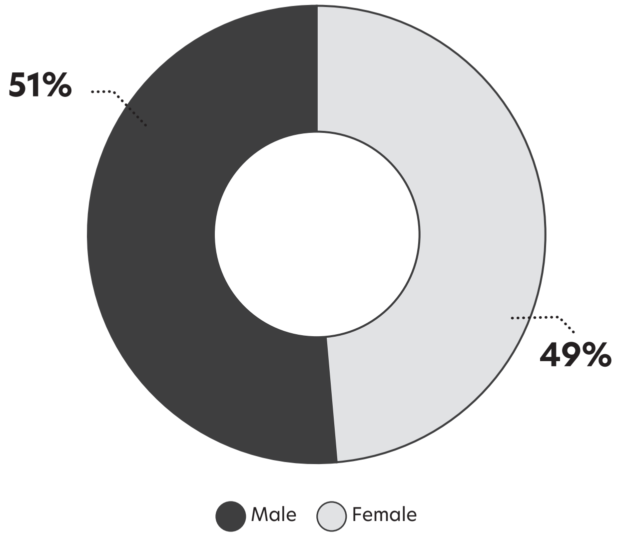
**(ii) Talent Attraction and Retention**

After the Covid-19 pandemic, the industry is now at a recovery phase. The Group has been focusing on specific initiatives to attract and retain talent post-pandemic to help strengthen our Employee Value Proposition. We have revised our overall talent strategy to focus on a holistic approach focusing on catering to our Allstars profile specific to diversity, equity and inclusion focusing on three main areas: Employee Engagement, Employee Benefits, Training and Development.

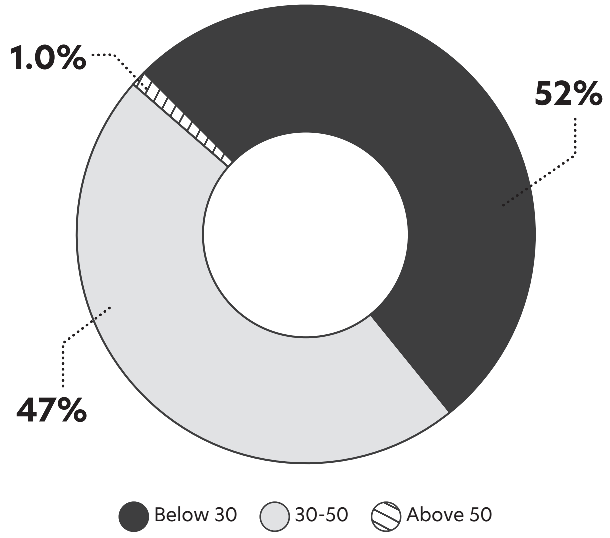
*New Hires and Attrition Rate*

All new hires undergo an onboarding programme through which they are introduced to the Group's values, culture and policies and are familiarised with our procedures and processes. During the reporting year, we hired 815 new Allstars. Our attrition rate, meanwhile, was 15.4%, considerably lower than the 24.2% recorded in the previous year.

***New Hires by Gender***




***New Hires by Age Group***




***Local Hiring***

In our non-Airlines businesses, such as airasia Super App and Teleport, priority is given to internal employees and local candidates when hiring. In 2021, 364 open positions were filled by internal candidates. Foreign hires are considered only when we are unable to find suitable local candidates. All expatriate hiring follows procedures set by the relevant local authorities, such as Malaysia Digital Economy Corporation (MDEC) for airasia Super App. For example, we advertise all positions with basic salaries below RM15,000 per month on MYFutureJobs portal. Should no suitable candidate be found after one month, we will apply for an exemption letter from MDEC for an expatriate hire.

***Employee Benefits***

We offer all our Allstars competitive remuneration and, along with their eligible dependents, packages that include travel and medical benefits. Apart from hospitalisation and medical care coverage that is comparable with industry standards, we also provide parental leave and flexi work options. We are also looking to add other benefits from the coming year. Full-time employees are provided with free financial and emotional well-being programmes, a recognition programme, employee assistance programme, daily subsidy for the in-house cafe, and facilities such as a creche, gym, rehabilitation centre, clinic and gaming stations. Since the pandemic, we have instituted flexible work arrangements such as work-from-home where operationally feasible.

**Financial Well-being**

***Upskilling***
We provide a host of development programmes and avenues through airasia academy allowing Allstars to continuously up-skill and re-skill.

***Career Advancement***
We help Allstars to identify and leverage their strengths to open to new career opportunities through our internal talent marketplace powered by intuitive AI system EightFold. We also structure stretch assignments through our AirAsia got Talent programme to help Allstars navigate their careers and create greater transparency in career pathways.

***Financial Health***
We offer Financial Education on Debts/Personal Financial Management/Legacy Planning with AKPK , BNM and other providers.

**Physical Well-being**

***Flexible Working Arrangements***
Depending on the role, we give Allstars the flexibility to decide on how they work best.

***Work-life Support***
We encourage rest and recovery through benefits such as Annual Leave.

***Travel Benefits***
Allstars can enjoy our flights via employee e-coupons and ID90 for travel needs.

***Medical/Life Benefits***
We provide medical insurance along with benefits such as in-house clinic, physio and life and personal accident insurance coverage.

***Conducive Working Environment***
We provide facilities such as an in-house gym and sleeping pods to ensure Allstars have a conducive space to work and relax when needed.

**Emotional Well-being**

***Family Well-being***
We offer paternity leave support, marriage leave and provide medical and bereavement support through our Red Heart Fund.

***Work Culture***
We strive for a culture of fun, openness and active communication through our dedicated internal platforms – EkoChilli and Workplace. Our Culture team hosts recreation and engagement activities as well as talks on health-related topics.

***Employee Assistance Programme***
We offer our Alllstars access to our Allstar Health Coach – holistic well-being and wellness brand Naluri, providing Allstars with easy access to a range of interactive and educational help online.

**Parental leave statistics**

| Indicators | | 2021 |
|---|---|---|
| Total number of employees who took parental leave | Female | 204 |
| | Male | 107 |
| Return rate of employees who took parental leave (%) | Female | 93.25% |
| | Male | 100% |

# Social *(cont'd.)*

***Employee Incentive Scheme***

In 2021, we introduced a Long-Term Incentive Scheme (LTIS) aimed at ensuring our continued ability to attract, retain and motivate our top and key talents to meet the Group's transformational aspirations. The LTIS will also help to align the motivations of eligible employees to the corporate goals of Capital A and shareholder interests. We are also in the process of establishing specific share options schemes for our major subsidiaries to ensure that we provide wealth creating opportunities to Allstars in these subsidiaries linked to the shareholder value they create. We believe that the combination of these two will create one Capital A culture, improve collaboration between the various businesses to create maximum shareholder return.

***Employee Engagement***

We have always sought to create a highly engaging workplace in which Allstars exchange ideas and opinions freely because we value the input of all Allstars, and believe that open discourse engenders a sense of belonging which, in turn, enhances work satisfaction and productivity.

Employee engagement at Capital A is designed along four pillars: well-being, information and support, learning and social. Whereas before, a great deal of engagement took place physically, we are now using online platforms such as EkoChilli, Workplace and Google Meet to keep Allstars updated on corporate-related news. There is also a great deal of interaction among Allstars on EkoChilli. Certain teams have their own engagement platforms. For example, the tech teams in airasia Super App engage on Confluence.

*a) Town Hall Sessions*

Town halls are held regularly in order for our CEO, Executive Chairman, President and other senior management to interact with employees. Through town halls, Allstars are able to get the latest information from the management, ask questions and provide feedback on matters that are important to them. In 2021, seven town halls were conducted virtually, focusing on leadership changes, the acquisition of Gojek Thailand and our 20th anniversary, among others.

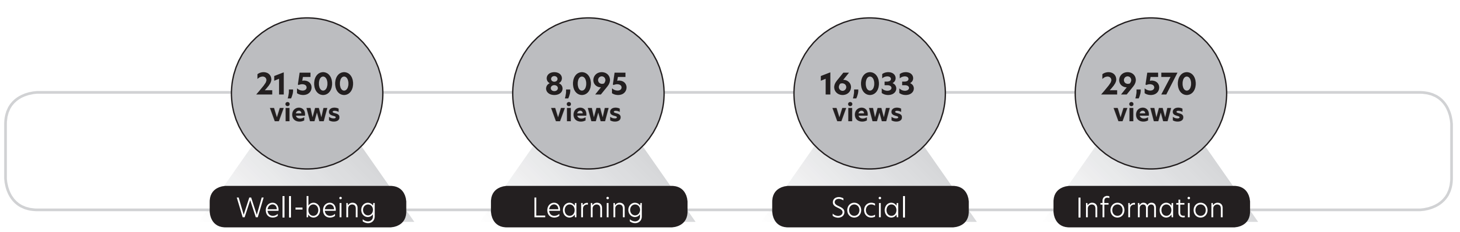
*b) Brown Bag Series: Post-Covid World*

We also launched a new engagement series where Allstars are able to clarify any doubts or uncertainties they may have about the direction of the company post-pandemic by addressing their questions directly to senior members of the management. Themes during the year included Flying in a Post-Covid World and Allstars' Future Work Arrangement.

*c) #AllstarsWFH Engagement Programme*

To create a sense of normalcy with Allstars working from home (WFH), and to stay connected, we developed a weekly #AllstarsWFH schedule featuring initiatives under the Learning, Social, Well-being and Information pillars.

**Number of views garnered between June and December 2021:**




***Employee Well-Being***

In addition to their physical well-being, we also take steps to provide Allstars with mental health and emotional health support. These are done through several key programmes.

*a) Allstar Peer Support Programme*

The Allstars Peer Support programme was created in 2020 to help Allstars manage emotional stress caused by the impact of Covid-19. Allstars with emotional, financial, work or personal problems can reach out for help via EkoChilli, where peer supporters will pick up requests and respond within 24 hours. A total of 157 Allstar Peer Supporters were recruited and trained to respond to queries. In 2021, a total of 267 requests for support were received, down from 498 in the previous year, reflecting the easing constraints faced by Allstars as recovery continues.

*b) Allstar Health Coach programme*

In 2020, the Group launched a holistic well-being programme with digital health and wellness brand Naluri. Through the Naluri app, Allstars can benefit from remote therapy, fitness coaching, financial coaching and the advice of dieticians, doctors and pharmacists. To date, a total of 2,100 Allstars have signed up for the programme.

Initiatives in 2021 included:
- 15 online webinars on health-related topics, financial education and emotional well-being with Naluri coaches/speakers
- ‘Leading with Compassion’ programme for managers with Naluri coaches via Naluri app (80 managers from the Group enrolled)
- 16-week weight loss programme which attracted the participation of 100 Allstars

*c) Aareena Oasis*

Aareena Oasis, a professional mental health provider based in Malaysia, was added to our well-being network for us to refer cases that require urgent support by psychologists/psychiatrists (either face-to-face or house visit).

**(iii) Human Capital Development**

We have a Learning and Development Policy that clearly states our commitment to developing a strong learning culture in which we provide Allstars access to opportunities that will help them to grow with the Group as they achieve their full potential. Despite the pandemic, we have strived to adhere to the spirit of this policy. While pilots and cabin crew have been enabled to undergo their mandatory recurrent training, we encouraged all Allstars to reskill/upskill by acquiring digital expertise at the airasia academy, and for young leaders, developed a customised programme with a renowned university on effective leadership as our business recovers from the effects of the pandemic.

Digital Training

During the year, a total of 607 Allstars attended training programmes at the airasia academy, with Digital Marketing being one of the most sought-after full-length courses. Other full-length courses attended were for: Data Analysts, Software Engineering, Cybersecurity and Cloud Infrastructure. In addition, Allstars underwent a number of short courses, byte-sized courses and Google Cloud Platform courses which they were able to complete in their own time.

Group-wide

| Total amount spent for training | 2019 | 2020 | 2021 |
|---|---|---|---|
| Technical & Non-technical training programmes (RM) | 12.5 million | 13.4 million | 10.5 million |

| Training investment | Average training hours |
|---|---|
| RM213/employee | 4 hours/employee |

***Flight-Related Training***

Pilots are required to do a minimum of three take-offs and landings every 90 days in order to maintain their licence. In addition, upon being reactivated for flying, they will undergo a flight crew activation course comprising a series of refresher modules, checks, simulator training, exams and line flying under supervision to ensure full recency and proficiency to conduct flights safely.

Pilots and cabin crew activated from furlough are required to undergo flight-related training focusing on reactivation training and recurrent training. Pilots and crew activated from furlough are based on monthly projections on aircraft reactivation and the capacity planning for each AOC.

# Social *(cont'd.)*

During the year, three training programmes accounted for 80.2% of the total training hours of pilots and cabin crew. These are described below.

Pilot Safety & Emergency Procedure Recurrent Training

Recurrent training (every six months) ensures pilots are kept abreast with aircraft systems, operational procedures and requirements (including ground de-icing/anti-icing and pilot incapacitation). It also includes assessments of accidents/incidents and determining their root causes. Training includes simulator rides, classroom work and tests.

Cabin Crew Recurrent Training

Recurrent training is conducted annually to maintain and enhance cabin crew members' competence. The training comprises hands-on and simulated exercises followed by exams on general elements such as first aid, as well as on aspects that are specific to the different aircraft types.

Pilot Simulator Training

| Training List Programme 2021 | No.of participants | Average training hours |
|---|---|---|
| Pilot SEP Recurrent | 635 | 49 |
| Cabin Crew Ground Training | 1,088 | 42 |
| Dangerous Goods Initial Training | 165 | 21 |
| Dangerous Goods, Ground Initial Training | 65 | 21 |
| Pilot Simulator Training | 549 | 60 |

***Employee Appraisal***

In 2022, the Group introduced the Objectives and Key Results (OKR) framework into the Performance Management/Appraisal for Allstars. OKR is a simple goal setting approach to create better alignment, engagement and clarity towards achieving the Group's overall business plan. Through this framework:

- Goals are set, tracked and re-evaluated quarterly
- Each team's perspective and creativity are taken into account in a simple and fast-cadence process

OKRs provide many benefits, including clarity, enhanced communication and a coherent and transparent approach towards achieving overall Group-wide strategy and objectives.

| Focus | Alignment | Commitment | Tracking | Stretching |
|---|---|---|---|---|
| OKRs allow a team to rally behind a small set of carefully chosen priorities | OKRs provide a method for the entire organisation to align its goals at every layer with its top-level priorities and with its ultimate purpose | OKRs demand a level of collective commitment from the parties involved to choose and stick to agreed-upon priorities | OKRs allow a team organisation to track their progress toward a goal and know earlier when to change tactics | OKRs empower teams to set goals that stretch beyond BAU - or "business as usual" and make significant meaningful change |

## COMMUNITY INVESTMENT

We have renamed our section on Corporate Citizenship and Philanthropy as Community Investment to better reflect the emphasis placed on continuity and sustainability in our philanthropic endeavours. Since 2012, Capital A's community engagements have been undertaken primarily by AirAsia Foundation whose mission is to support social enterprises in Asean through the provision of business grants, business mentorship and platforms that help them grow their market and attain self-sufficiency. This mission helps deliver the Foundation's vision to be a leading corporate citizen that contributes to Asean community-building efforts in a way that stays true to Capital A's entrepreneurial spirit.

The renaming also captures the help given to small businesses to transition to e-commerce via airasia travelmall (formerly OURSHOP), Teleport and our new entities, especially airasia farm and airasia grocer.

In addition to the Foundation's work, the Group stands ready to act in times of humanitarian need. Hence, our Community Investment disclosure is divided into two sections - the first addressing our support of social enterprise and small businesses; and the second detailing our humanitarian relief and rehabilitation activities.

The total value of Capital A's community investment and humanitarian activities can be summarised as follows:

| Type of Contribution | Total (RM) |
|---|---|
| Cash contribution | 139,996 |
| Employee volunteerism during paid working hours | 346,159 |
| Contributions in kind | 25,851 |
| Management overheads | 166,050 |

### (i) Social Enterprise and SME Support

Since the pandemic, AirAsia Foundation has awarded only one grant due to movement restrictions as well as reduced activity of many social enterprises. In May 2021, Council Members of the Foundation extended the suspension of the grant programme for an additional year given continued uncertainty over the pandemic. Instead, AirAsia Foundation focused on providing skills support and platform building activities for grant recipients and others.

A key activity was to monitor progress made by the 2020 grant recipient, Dusun Merdeka, in improving its cocoa processing facilities, and purchasing beans from indigenous farmers. Since receiving its grant in August 2020, Dusun Merdeka has been able to expand its livelihood support programme from benefitting 50 indigenous families to 150 families from three states across Malaysia, ie Pahang, Perak and Sabah, that were facing economic hardship compounded by the pandemic. With the farmers, Dusun Merdeka also replanted over 100 native trees within the secondary forest bordering Malaysia's National Park, to create a natural environment for cocoa plants to thrive without pesticides.

*Cocoa fruit produced by the indigenous farmers in Pahang*

| | |
|---|---|
| Grant approved | RM78,320 |
| Amount disbursed as of 31 December 2021 | RM60,000 |
| Grant progress | 77% |

# Social *(cont'd.)*

In February, AirAsia Foundation kicked off its mentorship activities by partnering with Angels of Impact Singapore in its inaugural ASEAN Women Impacting Social Entrepreneurship (ASEAN WISE) incubation programme for women and indigenous-led community-based enterprises. Over the course of the year, AirAsia Foundation delivered two masterclasses and provided pro bono rebranding counsel to Maranao Collectibles, a Filipino social enterprise that aims to revive the fading art of weaving in Marawi. The city of Marawi is still recovering from years of armed conflict that has displaced 98% of the local population. In October, the Foundation also supported Malaysia-based P Lab in organising the BAIKSelangor business competition funded by the Selangor State Government to promote products made by businesses in the state's new villages.

In the area of direct business support, AirAsia Foundation continued to invest in growing its Destination GOOD social enterprise shop. To manage costs and lower sales as a result of lockdowns, Destination GOOD closed its physical store in Kuala Lumpur in November 2021 in order to concentrate available resources into growing its online presence. For the financial year ending December 2021, the Foundation invested an additional RM80,000 in working capital for Destination GOOD. In turn, Destination GOOD earned a turnover of RM50,767 through the sale of products by 26 social enterprises.

Separately, airasia farm collaborated with the Federal Agricultural Marketing Authority (FAMA), Ministry of Agriculture and Food Industries (MAFI) and Department of Agriculture (DOA) to promote Harumanis mangoes grown by over 20 farmers across Perlis. This initiative lead to 10.2 tonnes of mangoes being sold over a period of one month.

**(ii) Humanitarian Relief and Rehabilitation**

*Covid-19 Response*

Throughout 2021, Capital A persisted with efforts to encourage Allstars and members of the public to be vaccinated. We deem this a clear priority to protect our people and guests in the immediate term and to help countries get on the path of economic recovery over the longer term.

From June to July 2021, Allstars volunteered at Mega Vaccination Centres in Kuala Lumpur and Selangor to support Malaysia's mass vaccination drive. A total of 509 Allstars performed non-clinical roles from registering and monitoring the temperature of vaccine-takers to crowd management.

Vaccination campaigns were also organised at the Group's offices in Jakarta and Kuala Lumpur. In May 2021, a special vaccination drive was arranged in RedHouse, Jakarta, benefitting 1,689 Allstars. In July 2021, a similar drive was conducted in RedQ, Sepang, where 283 Allstars and 637 family members and friends were vaccinated. A total of 95 Allstars volunteered at these events to manage traffic flow and ensure adequate social distancing.

To help our colleagues in Jakarta cope during a peak infection period in July 2021, AirAsia Indonesia distributed Covid Care Kits to 1,578 Allstars, including those infected with mild symptoms, to aid in their recovery. Each kit contained multivitamins, hand sanitisers and face masks.

In April 2021, AirAsia Philippines distributed 1,500 REDy Care Kits containing face masks, hand sanitisers and alcohol wipes valued at RM5,500 to travellers at Terminal 3 of the Ninoy Aquino International Airport. AirAsia Philippines also supplied 100 medical kits valued at RM8,154 to infected Allstars to help them monitor their health status. Each kit was equipped with a thermometer, an oximeter as well as basic medicines such as paracetamol, cough syrup and vitamins.

*Red-Q PPV for Allstars, family members and friends*

*Vaccination drive in RedHouse, Jakarta*

*Post-disaster Response*

The Group's humanitarian activities also focused on supporting communities affected by climate-related disasters. In December 2021, in response to severe floods in many parts of Peninsular Malaysia, AirAsia Foundation and BigPay launched a public donation drive to raise funds to rebuild damaged community infrastructure. During the campaign, AirAsia flights carried donation boxes while BigPay enabled a donation channel on its app. A donation of RM1 per booking was also contributed by airasia ride and airasia food for a limited period. Organised between 22 December 2021 and 31 January 2022, the campaign raised a total of RM574,000 which will be distributed to non-profit organisations and community groups identified by AirAsia Foundation.

In tandem with the public donation drive, the Group's People and Culture department created a mutual support programme to connect staff who were affected with those who wanted to help. In total, 86 affected Allstars received RM22,650 in donations from fellow Allstars and RM22,277 from the company's Red Heart Fund, a special fund that provides ad hoc assistance to Allstars in need.

In the same month, AirAsia Philippines deployed immediate assistance to 119 Allstars impacted by Typhoon Odette which struck the Visayas area of the country affecting Cebu, Puerto Princesa, Tacloban and Tagbilaran stations. Donations totalling RM9,700 in the form of essential goods, water and cash were distributed to survivors.

**(iii) Other Activities**

In addition, Capital A organised ad hoc activities during festive periods and in response to specific appeals. Some of these activities are listed below.

| Campaign/Entity | Description |
|---|---|
| AirAsia Indonesia Berbagi Pahala Ramadhan | Allstars donated RM2,909 to children in four orphanages in Jakarta. |
| #AllstarsDOGOOD Christmas Sharing | Allstars distributed hot meals sponsored by airasia grocer partners to 80 children from two Klang Valley orphanages. |
| #alwaysREDy Christmas Sharing | Allstars donated RM2,458 in food, toys and clothes to children at the Asilo de San Vicente de Paul Orphanage in Manila. |
| #alwaysREDy Extra Mile Campaign | AirAsia Philippines provided free flights for Operation Smile, an international charity that helps children undergo corrective surgeries for cleft lip and palate deformities. |
| airasia grocer | Donated surplus food and vegetables to Zoo Negara Malaysia to supplement the nutritional needs of animals at a time when the zoo was facing a financial crunch as a result of pandemic-imposed closure. |
| Flood Relief for #TeamTeleport | The floods in December affected several Allstars including #TeamTeleport. In response, we organised a fundraising campaign from 22 December until mid January 2022. Financial relief was then channeled directly to the affected Teleporters, with each Teleporter receiving RM500 and an additional RM500 for each dependent. #TeamTeleport also came together to help with the post-flood clean up. |

# Social *(cont'd.)*

**(iv) Human Rights**

We are committed to ensuring our operations are free from unethical labour practices such as forced labour, child labour and all forms of discrimination. Our code of ethics, which is available to Allstars and external stakeholders, clearly communicates our commitment to conducting our business fairly, impartially, ethically and with the utmost regard to safety. Underlining our commitment to human rights, we launched a Diversity, Inclusion and Belonging survey; reviewed our Sexual Harassment Policy; and improved our Anti-Human Trafficking Training. As human trafficking often involves air travel, our Foundation has developed a #Know the Signs programme so Allstars will be able to recognise signs of human trafficking and respond appropriately. Training has been held regularly since 2017.

In 2021, AirAsia Foundation updated its Anti Human Trafficking training to incorporate trafficking patterns and the modus operandi in Thailand, Indonesia and the Philippines. This is to ensure all frontline Allstars are able to recognise signs of human trafficking at all the major hubs. A total of 10,053 Allstars (71%) completed the #Know The Signs Anti Human Trafficking training during the year, marking a 33% improvement from 2020.

***Reporting Process***

The process to report a suspected case of human trafficking is as follows:

1. Crew receives a request for assistance from a suspected victim or spots a suspected victim.
2. Crew cross-checks signs with senior crew or purser.
3. Senior crew/purser notifies the captain.
4. Captain radios for ground support.
5. Where present, AirAsia security personnel accompany airport security officers to meet aircraft upon arrival at destination.
6. Suspected victim is interviewed by law enforcement officers.
7. Cases requiring social worker support will be referred to AirAsia Foundation's NGO partners, if available, at destination.
8. Crew records observations and actions in a dedicated #KnowtheSigns form in the Group's Coruson reporting app.

In 2022, AirAsia seeks to develop a human rights policy. In order to ensure there are no gaps in the policy, a focus group discussion will be organised to discuss the policy and the Group's human rights risk exposure, followed by planning of remedial actions.

# Our Entities

Most of our non-airline businesses are relatively new and have only recently embarked on the journey of monitoring and reporting on their sustainability initiatives. During the 2021 materiality survey, we asked our stakeholders to assess the material matters that they believe our entities should consider. This, together with our entities' own input and industry best practices, enabled us to identify the most pertinent matters related to their businesses. Moving forward, all our entities will strengthen their sustainability performance and expand on their disclosures.

**AIRASIA SUPER APP**

airasia Super App is a travel-led lifestyle platform for everyone. In this report, airasia Super App will be disclosing its initiatives and performance under the following material matters:

- Guest Experience
- Technology Innovation and Information Security
- Health & Safety

**GUEST EXPERIENCE**

The different platforms on our Super App have their own policies and service level standards to drive a constantly high level of customer experience.

| Service | Policy/Commitment |
|---|---|
| airasia food | • Customers to receive meals within 45 minutes from ordering, with up-to-date notifications<br>• Ensuring >95% completion rate (allowing for unforeseen circumstances, eg inclement weather)<br>• Riders to be well-groomed with clean/neat delivery bags |
| airasia xpress | • Customers to receive shipments within one hour for 'Instant' service and four-six hours for 'Same Day' service, with up-to-date notifications<br>• Ensuring >95% completion rate (allowing for unforeseen circumstances, eg inclement weather)<br>• Riders to be well-groomed with clean/neat delivery bags |
| airasia ride | • Customers to be picked up within 10 minutes from booking their ride<br>• Ensuring >85% completion rate (allowing for cancellation due to unforeseen circumstances, eg weather)<br>• Well-groomed drivers with clean and well-maintained cars |
| Hotels & SNAP | • Instant confirmation for customers<br>• Live chat (AVA), email/eform and social media to support customers and partners |
| Flight OTA | • Instant confirmation but can go up to 24 hours for bookings to be confirmed<br>• Live chat (AVA), email/eform and social media to support customers and partners |

# Our Entities *(cont'd.)*

In order to meet these standards of delivery, various initiatives have been implemented.

**Initiatives to improve users' and customers' satisfaction**

| Service | Initiatives |
|---|---|
| Food/express/ride | • Training for riders/drivers<br>• Increase density of riders/drivers in peak locations<br>• Increase up-to-date communication for consumers through app push notifications |
| Flight OTA | • Work with inventory providers to create SLA for booking confirmation to minimise complaints<br>• Ensure post-booking messages are clear<br>• Instant email notification to customers to update them on their booking status |
| Hotels & SNAP | • Instant email notification with details sent to customers upon booking |
| AirAsia Flight | • Instant email notification on flight changes, and steps to obtain access to service recovery plans on AVA in the event that new schedules are not acceptable to guests |
| Refunds Automation | • Automate customer claims when refunds are needed for new LOBs<br>• Minimise refund-prone scenarios by authorising payment from the user and only capturing it when the service is delivered or confirmed booked by the third party |

As part of its customer service promise, airasia Super App offers a range of different platforms on which customers and guests can engage and connect, to suit their preference.

| Platform | Engagement Channel |
|---|---|
| Delivery: airasia food, airasia xpress, airasia ride | AVA, NPS, feedback widget, social media live chat, direct calls/chats |
| Hotel & SNAP | AVA, NPS, feedback widget, email/e-form, social media |
| Flight OTA | AVA, NPS, feedback widget, email/e-form, social media |

## TECHNOLOGY, INNOVATION AND INFORMATION SECURITY

In 2021, airasia Super App was acknowledged by Credit Suisse as being one of only three unicorns in Malaysia, with an estimated value of more than USD1 billion. This has been achieved through constant innovation to introduce more products/services that meet consumers' everyday needs. During the year itself, the Super App expanded its lines of business to include four more products.

**New products/services introduced on the airasia Super App in 2021**

| Initiative | Description | When launched |
|---|---|---|
| Flybeyond | Allows guests to book flights beyond AirAsia – ie on more than 700 other airlines to over 3,000 destinations. | October 2021 |
| airasia ride | An e-hailing product. | August 2021 |
| airasia xpress | Parcel delivery product. | November 2021 |
| airasia food | Food delivery product, enhanced with cuisine recommendations based on users' browsing/purchasing trends. A merchants' app, called airasia friends, enables restaurants to manage their menu, opening hours and order acceptance. During the year, airasia food also expanded to Thailand. | April 2021 |

Moving forward, the product and technology team of airasia Super App will further improve the customer journey by integrating Global Distribution System (GDS) and channel managers to offer better flight and hotel content, and developing an integrated app for all delivery drivers/riders.

Other improvements include:

- Integration of quantum metrics for continuous product development, to recognise and fix potential improvement opportunities on the ecosystem
- Integration of richer sources of content for Travel to offer more convenient options to users
- Rollout of the Authorise/Capture approach to all LOBs
- Quick access to Upcoming Status of orders

## HEALTH & SAFETY

Because of the nature of its products and services, airasia Super App has put in place policies and processes to protect both its service providers and users.

airasia ride

To ensure the safety of drivers and guests, both are equipped with emergency call buttons on their respective apps enabling them to seek emergency assistance, if needed. Additionally, all drivers are vetted before being on-boarded onto our platform, while guests are able to share their live trip location with others so their whereabouts can be tracked easily.

**Additional initiatives to ensure the safety of drivers/passengers**

| Key Initiative | Description |
|---|---|
| Driver training | All drivers are required to go through training on safety, etiquette and driver application usage |
| e-hailing insurance | Drivers are required to have e-hailing insurance to protect themselves, passengers and the vehicle in the event of an accident |
| Health screening | All drivers will be required to undergo basic health screening from local healthcare facilities prior to obtaining their e-hailing licence |

While the pandemic is ongoing, the following measures are being implemented.

| Key Initiative | Description |
|---|---|
| Vehicle sanitisation | Drivers are required to regularly sanitise their vehicles |
| Hand sanitisers | Incoming passengers are offered the use hand sanitisers |
| Masks on | Drivers are required to have their masks on at all times |
| Vaccination | Drivers are encouraged to be vaccinated, with a status sticker awarded to those who are fully vaccinated |
| MySejahtera Scanning | All vehicles are equipped with the MySejahtera QR code |

# Our Entities *(cont'd.)*


BigPay is our fintech company and, according to the UK's Business Financing, the most-searched for digital bank in Malaysia. The company is committed to democratising financial literacy, accessibility and well-being in the Asean region by providing accessible, transparent, simple and secure digital financial services. In this report, Big Pay will be disclosing its initiatives and performance under the following material matters:

Corporate Governance

Guest Experience

Technology Innovation and Information Security

## CORPORATE GOVERNANCE

To ensure regulatory compliance, BigPay has put in place systems and processes to ensure adherence to the Anti-Money Laundering Act 2001 (AMLA). This is important given that its operations revolve around financial transactions.

Initiatives geared towards AMLA compliance:

- Enhanced due diligence review of correspondent agent onboarding, followed by periodic reviews to ensure agents adhere to AMLA requirements
- Enhanced customer risk assessment
- Enhanced real-time transaction monitoring system logic and threshold, segmented by customer risk profiles, to capture red flags and for prompt submission of suspicious transactions reports (STR) to regulators

## GUEST EXPERIENCE

BigPay has established the following channels on which to engage with its customers: chat, email, phone and social media (Facebook,Twitter and Instagram). To ensure a consistently good customer experience, it has set the following service delivery targets:

- < 6 hours for first email response
- < 10 minutes chat handling time
- < 5% chat abandoned rate
- At least 85% Customer Satisfaction score
- < 10 hours first response on social media
- < 24 hours total resolution time for social media

Previously BigPay's Customer Relationship Management (CRM) system would send an automated satisfaction survey once a ticket was solved. In 2021, it introduced customer satisfaction surveys within the Live Chat platform to help identify key areas of improvement and enhance the customer experience.

Given the frequency of online scams, BigPay has taken the following measures to educate and protect customers from being victims of fraud:

- "Do not share" advisory as part of each SMS OTP/Link; and periodic reminders on the same
- Periodic updates on social media on the Do's and Dont's to protect against scammers/fraudsters
- Periodic updates on BigPay's website to raise customer awareness of scams and app security
- Increased internal controls to limit exposure of customers' Personal Identifiable Information (PII)
- Increased controls when populating customers' contact book information to BigPay's P2P Friendslist
- Collaboration with regulators/enforcement agencies to improve current scam prevention as well as updates on potential scam trends

**TECHNOLOGY, INNOVATION & INFORMATION SECURITY**

The following Innovations were introduced in 2021 to further strengthen the BigPay platform, as well as to expand its reach.

| | |
|---|---|
| Migration to GCP | Malaysia data were migrated from on-premise storage to Google Cloud Platform (GCP) |
| ebelia | BigPay was part of Malaysia's ebelia programme |
| Bill Payments MY | Enable people to pay multiple bills to a variety of merchants |
| China Union Pay transfers | Enable money transfers to China using China Union Pay |
| Singpass onboarding | Utilise Singapore's Singpass to simplify the onboarding process |
| Personal Loans MVP | Implementation of personal loans as part of BigPayLater |
| Reduce Fraud Attack Surface | Limit the number of accounts per device<br>Limit auto top-ups<br>Device binding (ie registering a user's device as a trusted device for banking) |
| Cash top-ups | Enable users to top up their BigPay accounts with physical cash |
| Virtual cards | Virtual cards (no plastic) for online purchases and additional security |

In 2022, there are plans to integrate BigPay's systems with PayNet to offer personal loans, and to use the Security Operations Centre to onboard new services.

To protect customers' data and tighten its general cyber security, BigPay is guided by the following policies/strategy.

| | |
|---|---|
| Technology and Cyber Security Risk Management Framework | An overarching framework to formulate the approach, process and scope of coverage for technology risk management. This covers the responsibility for all the three lines of defence to ensure appropriate levels of risk identification, assessment, mitigation and monitoring are established. A governance framework including a risk committee has been put in place to ensure appropriate oversight. |
| Access control, IT Asset, Cryptography, Software Development Lifecycle, Change Management, Incident Management, Data Security, Network Security, IT Resilience, Cyber Security Operations, Cyber Security Assessments, Third Party Service Provider Management, Security Awareness & Training policies | These policies have been formalised to ensure compliance with regulatory requirements. Together, they ensure appropriate safeguards to protect against reputational, regulatory and financial risks as well to protect the confidentiality of customer data and maintain satisfactory system uptime and performance. |

# Our Entities *(cont'd.)*

Meanwhile, the following measures are taken to ensure the security of sensitive financial data in the BigPay app:

- Authentication: Establishes the identity of both the sender and the receiver; uses trusted third parties that verify identities in cyberspace
- Non-repudiation: Ensures that transactions cannot be repudiated or presents undeniable proof of participation by both the sender and the receiver in a transaction
- Authorisation: Establishes and enforces the access rights of entities (both persons and/or devices) to specified computing resources and application functions; also locks out unauthorised entities from physical and logical access to the secured systems
- Integrity: Assures that data have not been altered
- Confidentiality: Assures that no one except the senders and receivers of data can actually understand the data

As a result of the various security systems and processes in place, there have been no information security breaches or other cybersecurity incidents in BigPay.

**BigPay Goes Green: Initiatives for the Environment**

In July 2021, BigPay joined Every Action Counts, a new coalition that connects experts to share best practices on how to address nature conservation and climate change with some of the world's leading digital financial platforms. This first step marks our platform's journey to empower users across Asean to lead greener financial lives.

**BigPay and APE Partnership**

From 1-30 November 2021, BigPay partnered with Animal Projects and Environmental Education (APE Malaysia) to plant one tree on behalf of each of the first 1,000 users that made water bill payments via BigPay. The aim was to create environmental awareness and to motivate users to get involved in climate protection initiatives. The contributing users were provided with a photo, as well as an e-certificate with the GPS coordinate of their planted trees as an acknowledgement. At the end of the programme, over 1,100 trees were planted in Lower Kinabatangan region in Sabah, with BigPay making its own contribution of 100 trees.


Teleport is the cargo and logistics arm of Capital A, offering air cargo, courier and freight forwarding services as well as door-to-door delivery. Utilising AirAsia's extensive network and aircraft fleet enables Teleport to deliver cargo to a wide range of locations quickly and seamlessly. In this report, Teleport will be disclosing its initiatives and performance under the following material matters:

Climate Strategy

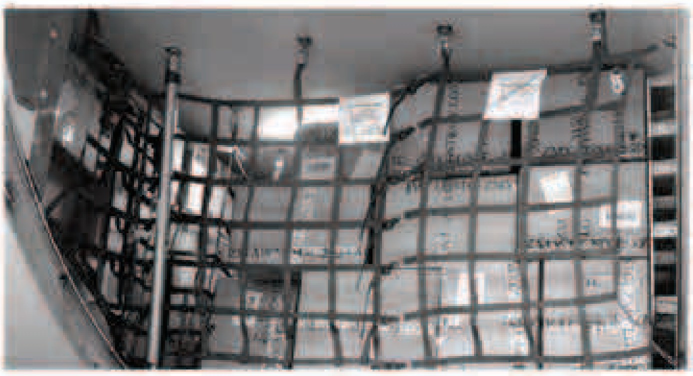
Health & Safety

**CLIMATE STRATEGY**

Teleport plans to achieve carbon neutrality by 2050 in line with the Group's target by reducing its carbon emissions and investing in science-based solutions that help protect the environment and promote sustainable development. Recognising that its activities impact the environment, in 2021 Teleport started to monitor its cargo traffic data.

| Indicators | 2020 | 2021 |
|---|---|---|
| Revenue tonne kilometre | 28,104,356 | 12,843,142 |
| Available tonne kilometre | 1,931,998,935,734 | 418,024,291,581 |
| Tonnage carried | 60,034,549 | 26,979,543 |
| Tonnage available | 572,123,513 | 188,890,000 |

Increase in e-commerce and the corresponding growth in demand for transportation solutions have provided Teleport with a competitive advantage. In 2021, with international borders still closed, it utilised AirAsia aircraft cabin space by carrying cargo on the seats. Through technology, meanwhile, the team has managed to improve its load planning activities, ensuring all aircraft belly space is fully utilised.



# Our Entities *(cont'd.)*

Climate change adaptation

Teleport's BCP: We have identified mitigation measures for climate change adaptation in the event of disruption to our business or supply chain. This includes protection of employees, alternate warehousing locations, contingency and emergency response plans.

To reduce its Scope 3 emissions, Teleport uses AI technology for algorithmic batching where deliveries are grouped by proximity to ensure delivery efficiency and, subsequently, reduce the distance and number of trips made per delivery partner.

**Smuggling**

During the year, there was one incident of smuggling of an illicit substance and one incident of wildlife smuggling. These incidents were reported to the police and the smuggled items confiscated by the Royal Malaysian Customs Department. The shippers concerned were also alerted in order for them to tighten their security processes.

## HEALTH & SAFETY

The health and safety of our people and delivery partners is of paramount importance. During the reporting year, we conducted several key activities to maintain a healthy and conducive workplace for our Allstars.

| Initiative | Description |
|---|---|
| Engagement with Delivery Ops Riders/Drivers | Initiative with delivery operations to obtain feedback from drivers with focus on road safety improvements |
| Office Fire Safety & First Aid Inspection | Carried out for Teleport office locations to ensure emergency response preparedness |
| Management of Operation Teams Covid-19 Self Testing | Distribution of RTK antigen self-test kits to all Teleport office locations and data collection of utilisation rate of kits |
| Safety awareness campaigns | Positioning of safety visuals across Teleport's operational areas and regular safety briefings conducted to ensure high awareness of safety |
| Covid-19 response | Ensuring all SOPs are practised at work locations and timely reporting of positive Covid-19 cases. Contact tracing and isolation of close contacts carried out and immediate follow-up on Allstars' condition & well-being |
| Safety Elements for delivery ops training | Introduced safety elements pertaining to road safety in the training material for contract and crowdsourced drivers/riders |
| Formalised safety management training | Initial and recurrent safety management training carried out for all operational employees, covering Teleport's safety policy and objectives, safety risk management, safety assurance and safety promotion aspects |

# Corporate Governance

# Corporate Governance Overview Statement

The Board of Directors ("Board" or "Directors") of Capital A Berhad (formerly known as AirAsia Group Berhad) ("Capital A" or the "Company") presents this Corporate Governance Overview Statement ("CG Overview Statement") to provide its shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board for the financial year ended 31 December 2021 ("the Financial Year").

The Board of Capital A is committed towards ensuring good corporate governance standards are applied across Capital A's group of companies ("the Group"). Save as disclosed otherwise, the Board takes guidance and considers it has complied with the statutory requirements, principles and best practices inclusive of the corporate governance principles and recommendations set out in the Malaysian Code on Corporate Governance ("MCCG") issued by the Securities Commission Malaysia, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia")[1] and the Companies Act, 2016 during the Financial Year.

In building a sustainable Asean airline and technology-based Group focused on travel, lifestyle, logistics and financial services through an all-in-one super app, the Board is mindful of its accountability towards its shareholders and various stakeholders. The Board and senior management are committed to providing effective leadership, promoting uncompromising ethical standards and ensuring excellence in corporate governance standards and practices throughout the Company. The application of each recommended Practice as set out in the MCCG, and explanations on deviations from the MCCG, are disclosed in the Company's Corporate Governance Report ("CG Report").

The Company would continuously strive to enhance its overall corporate governance practices to reflect changing conditions and emerging principles, as appropriate. This CG Overview Statement should be read together with Capital A's CG Report 2021 published on the Company's website at https://capitala.airasia.com/home_ir.html.

The Board presents this statement to provide a quick insight into the overall corporate governance practices of Capital A, under the leadership of the Board, with reference to the following principles as set out in the MCCG –

(a) Board Leadership and Effectiveness;

(b) Effective Audit and Risk Management; and

(c) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**

**1. BOARD RESPONSIBILITIES**

The Board is responsible for governing, guiding and overseeing the overall management of the Group and retains full and effective control over the affairs of the Group. It sets the Group's policies and strategies, enforces standards of accountability, actively oversees the conduct, management and business affairs of Capital A and monitors the senior management's performance. The Board ensures the effective discharge of its fiduciary and leadership functions, as well as sustains long-term shareholder value while safeguarding the interests of all its stakeholders. It works closely with the senior management to ensure that the operations of the Company are conducted prudently within the framework of relevant laws and regulations.

Directors have independent access to the advice and dedicated support of the Company Secretary (who is legally qualified to act as company secretary under the Companies Act, 2016) to ensure effective functioning of the Board. The Directors may seek advice from senior management on issues pertaining to their respective jurisdiction, as well as independent professional advice in discharging their duties.

The Board recognises that having clearly defined roles and responsibilities of the Board and senior management is important to strike a reasonable balance between the strategy foundation and policy-making, and the conformance roles of executive supervision and accountability.

Delegation of the Board's authority to senior management is subject to defined limits of authority of the Group and monitoring by the Board. However, as the Board has the overall responsibility to manage and supervise the affairs of the Company in accordance with the law, there are matters which are reserved for the Board's consideration as set out in the Board Charter.

There is a clear separation of the responsibility and role between the Chairman and the Chief Executive Officer of the Company ("CEO") to promote greater accountability and for better checks and balances. The positions of the Chairman and the CEO are held by different individuals, and their roles are also described in the Board Charter which is available on the Company's corporate website at https://capitala.airasia.com/misc/capitala_Board-Charter.pdf

1. *Compliance with paragraphs 15.08A(3) and 15.25 as well as Practice Note 9 of MMLR on the preparation of Nomination Committee statement and Disclosure of CG related Information.*

To assist the Board in discharging its duties and responsibilities and to enhance its business and corporate efficiency and effectiveness, the Board has in place a governance framework for the Group. Specific powers of the Board are delegated to the relevant committees and the CEO, as depicted on pages 165-166 of the Annual Report 2021.

**BOARD OF DIRECTORS**

Led by the Chairman, the Board sets the Company's values and standards and ensures that its obligations to its shareholders and other stakeholders are understood and met.

Key responsibilities of the Board include, but are not limited to, the following:

- Defining the Company's strategic direction, financial policy, risk appetite, sustainability initiatives and performance as well as systems of internal control and risk management.
- Providing thought leadership and advice in fine-tuning corporate strategies, and ensuring the effective execution of business strategies.
- Overseeing the management of the affairs of Capital A towards enhancing business prosperity and corporate accountability.
- Championing good governance and ethical practices in line with applicable laws.

**BOARD COMMITTEES**

Presently, the Board is supported by four (4) Committees which have been delegated responsibilities to oversee the Company's affairs and authorised to act on behalf of the Board in accordance with their respective Terms of Reference ("TOR").

**Audit Committee ("AC")**

The AC assists the Board in fulfilling its oversight functions in relation to internal controls and financial reporting of the Company. The AC provides the Board with assurance on the quality and reliability of the financial information reported by the Company whilst promoting efficiency and good governance practices to ensure proper conduct and safeguarding of Capital A and its assets.

**Risk Management and Sustainability Committee**

The Board had on 3 December 2021 resolved that the Risk Management Committee ("RMC") shall also undertake the responsibility of overseeing the sustainability activities of the Group, and to be renamed as the Risk Management and Sustainability Committee ("RMSC").

It supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk and sustainability exposure of the Group. The RMSC also provides direction and advises on key sustainability indices that enhance investor valuation of the Company.

**Nomination and Remuneration Committee ("NRC")**

The NRC assists the Board in discharging its responsibilities in the determination of the remuneration and compensation of the Directors and senior management of the Company. It recommends to the Board the remuneration policy for the Non-Executive Directors and senior management of the Company.

The NRC also reviews the Chairman's and CEO's performance and recommends the rating thereof to the Board for its approval.

The NRC is also responsible for assessing the performance of the Board and committees, as well as making recommendations on the nomination policy, succession planning framework, talent management, training programmes and any other matter related to the Directors and senior management.

**Safety Review Board ("SRB")**

The SRB provides oversight over the effective and efficient implementation of the Group's Safety Policy within the overall Group Safety Management System.

The SRB also reviews regulations, standards and the latest best practices to ensure best-in-class safety standards across the Group.

# Corporate Governance Overview Statement *(cont'd.)*

## CHAIRMAN

The Chairman leads the Board in the effective discharge of its role. The Chairman also monitors the workings of the Board and the conduct of Board meetings to ensure all relevant issues for the effective running of Capital A's business are on the meeting agenda.

The Chairman ensures that quality information to facilitate decision-making is delivered to Board members in a timely manner. The Chairman encourages all Directors to play an active role in Board activities, including leading Board meetings and discussions, and allowing dissenting views to be freely expressed.

The Chairman manages the interface between the Board and the Management and ensures that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole. The Chairman also chairs the general meetings of shareholders of Capital A.

## CHIEF EXECUTIVE OFFICER

The CEO leads the senior management team which assists him in the management and business operations of the Company and the Group.

He provides direction for managing strategic business development as well as high value and high impact investments within the Group in accordance with the business plans and within the budgets approved by the Board. He also focuses on talent and succession for the senior management team to ensure optimal performance, and ensures that a strong, positive and unique culture exists and becomes a strategic advantage for the Group.

## SENIOR MANAGEMENT

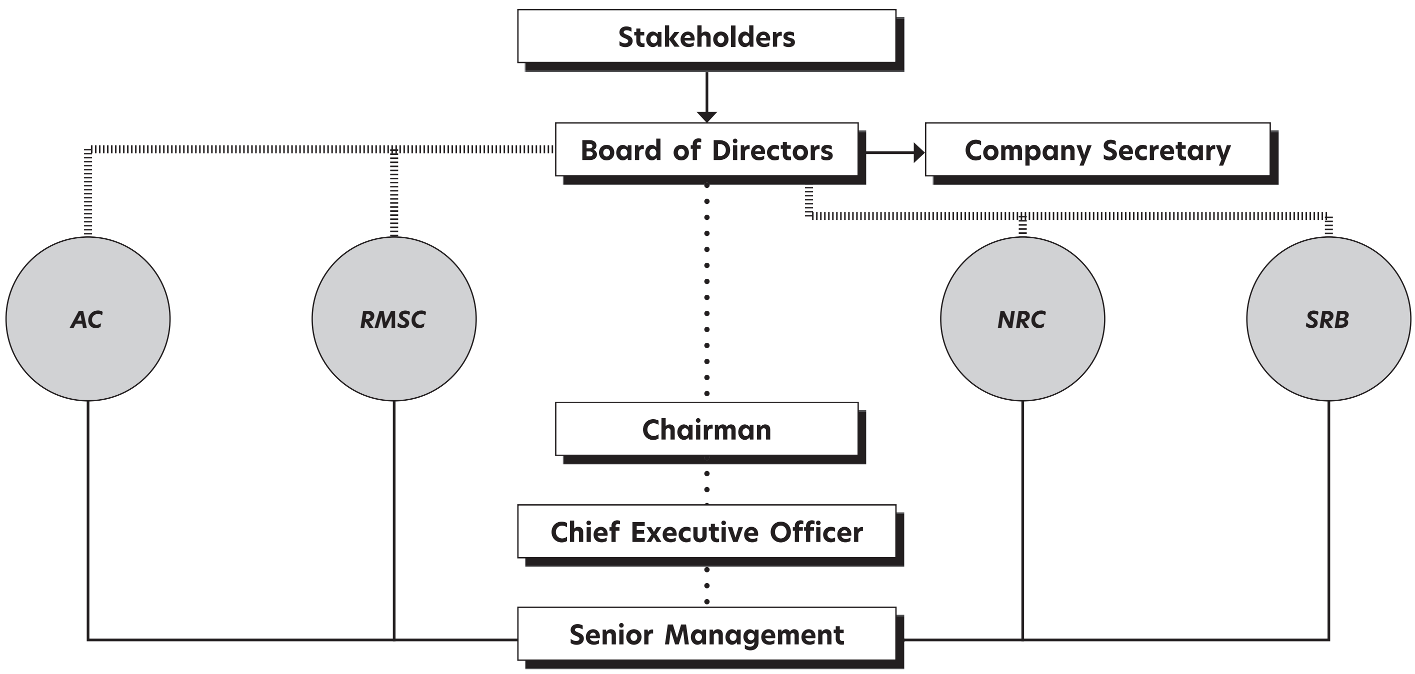
The Board is assisted by the senior management of the Company which comprises senior employees holding the positions of CEO, President (Aviation), President (Commercial), President (Ventures), Chief Financial Officer, Executive Director of Asia Aviation Capital Limited and CEO of AirAsia Shared Services (AASEA).

Led by the CEO, the senior management is responsible for managing the Company's business and implementing the Board's strategies, policies and decisions. Relevant members of the senior management are also invited to attend Board and/or committee meetings to advise and provide clarification on items in the agenda as and when required.

## COMPANY SECRETARY

The Board is regularly updated by the Company Secretary on changes in relevant statutory and regulatory requirements, particularly in areas relating to the duties and disclosure obligations of the Directors. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Committees and senior management.

**CORPORATE GOVERNANCE FRAMEWORK**




***Key***

Committee reporting lines to the Board
Senior management reporting line to respective committees
Interface line between the Chairman, the Board, CEO and senior management

## 2. BOARD COMPOSITION

The size, balance and composition of the Board support its role of driving the long-term direction and strategy of the Company. A key function of the Board is to create value for shareholders and track the progress of each milestone to ensure it meets the Company's business objectives. The Board also ensures that Capital A upholds a high level of corporate governance while meeting its obligations to shareholders and other stakeholders.

The Company has implemented procedures for the nomination and election of the Directors via the NRC. The NRC assesses candidates against the leadership skills, gender, digital savviness, entrepreneurial mindset, knowledge and experience required by Capital A. The Company recognises the benefits of having a diverse Board.

The Company also seeks to maintain strong women representation in its management team. Currently, the management team comprises 40% women.

In line with its Board Diversity Policy, selection of candidates to join the Board is in part dependent on the pool of candidates with the necessary skills, knowledge and experience. The NRC will review the nominees for directorship and membership of committees by going through their profiles and interviewing the nominees, following which the NRC will submit its recommendations to the Board.

The profile of each Director can be found on pages 36 to 41 of this Annual Report.

Capital A's diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, ethnicity, age and other attributes of the Directors. The Board had a composition of 50% Independent and Non-Executive Directors with one (1) Independent Non-Executive Director who resigned during the Financial Year due to personal commitments.

The NRC and the Board have been actively seeking to fill the vacant position(s) with suitably qualified candidate(s) during the Financial Year, but the focus had shifted to broader concerns, as there were other pressing issues that had hit the airline industry. The Covid-19 pandemic has had a significant impact on the aviation industry due to travel restrictions and a slump in demand among travellers. Nevertheless, the NRC and the Board proceeded with the search process and the Company had on 31 January 2022 appointed a suitably qualified woman with the appropriate knowledge and experience required by Capital A as its new Independent Non-Executive Director.

# Corporate Governance Overview Statement *(cont'd.)*

The Board has in place a policy which limits the tenure of Independent Non-Executive Directors to nine (9) years in line with the MCCG. An Independent Director may remain in that capacity after serving a cumulative term of nine (9) years, provided that the Board recommends this upon concrete justification and after seeking its shareholders' approval at a general meeting. Following the release of the MCCG, Capital A has adopted the two-tier voting process in its Constitution for retention of any Independent Directors who have served for twelve (12) years or more in that capacity.

The Constitution of Capital A provides that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting ("AGM") of the Company. Effectively, each Director is due to retire from office every three (3) years but is eligible to offer him/herself for re-election or re-appointment. The Constitution of Capital A also provides that a Director who is appointed during the year will be subject to re-election at the next AGM following his/her appointment.

The names of the Directors seeking re-election at the forthcoming AGM are disclosed in the Notice of AGM.

### 3. OUR BOARD AND ITS COMMITTEES

For the Board to function effectively and efficiently and give the right level of attention and consideration to relevant matters, the committees assist the Board in fulfilling its oversight functions. The committees' agenda and schedule of items to be discussed at their meetings are prepared in accordance with the terms of reference of each committee and take account of other topical and ad-hoc matters. All committees operate within their clearly defined terms of reference and operating procedures whereupon the Board receives reports of their proceedings and deliberations with their recommendations. In addition to the vertical lines of reporting, the committees communicate and work together as and where required.

At the committees' meetings, items are discussed and deliberated, and, as appropriate, endorsed, approved or recommended to the Board for approval. Following the committees' meetings, the Chairman of each committee provides the Board with a summary of the main decisions and discussion points, and the minutes of the committees' meetings are presented to the Board for notation; hence, the non-committee members are kept up to date with the work undertaken by each committee. The ultimate responsibility for decision making lies with the Board.

Members of the Board and committees have discharged their functions and responsibilities effectively in 2021 through their attendance at the meetings of the Company as set out in the table below:

| Director | Designation | Board attendance for 2021 | Attendance at Committee meetings in 2021 | | | |
|---|---|---|---|---|---|---|
| | | | AC | NRC | RMC | SRB |
| Datuk Kamarudin bin Meranun | Non-Independent Executive Chairman | 12/13 | | | | |
| Tan Sri Anthony Francis Fernandes | Non-Independent Executive Director and Chief Executive Officer | 12/13 | | | | |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | Non-Independent Non-Executive Director | 13/13 | 10/10 | 5/5 | 4/4 | |
| Dato' Fam Lee Ee | Senior Independent Non-Executive Director | 13/13 | 10/10 | 5/5 | 4/4 | 1/1 |
| Dato' Mohamed Khadar bin Merican | Independent Non-Executive Director | 13/13 | 10/10 | | 4/4 | 4/4 |
| Stuart L Dean *(resigned w.e.f. 01 November 2021)* | Independent Non-Executive Director | 10/10 | | 3/3 | 3/3 | 3/3 |

*Chairman*
*Non-member*

During the Financial Year, the Board met thirteen (13) times inclusive of special Board meetings. The Directors attended all the Board meetings held during the Financial Year, where applicable, and complied with the MMLR of Bursa Malaysia in terms of meeting attendance. This reflects the Board members' commitment and dedication to fulfilling their duties and responsibilities. The committees will continue to assist the Board of Capital A in discharging its duties in the next financial year.

### 4. BOARD EFFECTIVENESS EVALUATION

The Board, through its NRC, conducts the annual assessment on effectiveness of the Board, the committees, the individual Directors and committee members of the Company. During the Financial Year, the NRC conducted a digital performance evaluation of the Board and committees, reviewed the summary results thereof and recommended the proposed improvement(s) to the Board for approval. Each Director undertook an evaluation of the Board in terms of Board mix and composition, quality of information and decision making, and boardroom activities. The NRC was satisfied that all the Directors have devoted sufficient time to discharge their responsibilities.

The NRC was generally satisfied that the committees comprised the right composition of members, provided useful recommendations in assisting the Board in its decision-making and consequently, the conduct of Board meetings were more efficient and effective. The members of the committees have sufficient and relevant expertise in fulfilling their roles. The NRC also reviewed the confirmation of the Independent Directors Self-Assessment as per the requirement under the MMLR of Bursa Malaysia.

Once every three (3) years, an external consultant is engaged to facilitate the NRC in providing an objective and candid evaluation. The NRC has discussed and considered several proposals on the appointment of an independent external consultant to conduct the annual Board Effectiveness Evaluation ("BEE") on the performance of the Board, its committees, the individual Directors and the committee members of the Company.

However, in view of the Covid-19 pandemic, this exercise has been postponed possibly to the next financial year. The BEE will assess the performance and effectiveness of the Board and committees, as well as that of individual Board and committee members. In addition, it will review and assess the independence of the Independent Directors of Capital A.

### 5. PROFESSIONAL DEVELOPMENT OF DIRECTORS

In compliance with Paragraph 15.08 of the MMLR of Bursa Malaysia, the Directors recognise the importance and value of continuous professional development to keep abreast with changes in the aviation and digital industries, as well as new statutory and regulatory requirements.

During the Financial Year, the Directors attended and participated in training programmes, conferences and seminars that covered the areas of corporate governance, finance, global business developments and relevant industry updates, which facilitate them in discharging their duties effectively.

The details of training programmes, conferences and seminars attended by the Directors during the Financial Year are outlined below:

| Name | Programmes |
|---|---|
| Datuk Kamarudin bin Meranun | • "Covid-19: Possibility or Difficulty for Airspace Industry", organised by YouTube Live with Universiti Teknologi MARA students on 20 August 2021 |
| Tan Sri Anthony Francis Fernandes | • Nomura ASEAN Conference 2021 on 4 March 2021<br>• Youth Economic Forum 2021 on 6 March 2021<br>• 46th ASEAN-Japan Business Meeting Virtual Conference on 17 March 2021<br>• CITIC CLSA Asean Forum on 30 March 2021<br>• Milken: Global Leaders Roundtable on 21 April 2021<br>• Malaysia's State of Recovery: A Mid Year Review on 15 June 2021<br>• UKM Conference on 19 June 2021<br>• 2nd Annual Limited Partner Conference on 8 July 2021<br>• Pemandu Associates Brown Bag on 14 August 2021<br>• Reshape Leadership on 16 September 2021<br>• Airbus Symposium, Toulouse on 17 September 2021<br>• CGS-CIMB Premier Roundtable Engagement Series on 13 October 2021<br>• Asia Business Council CISL Virtual Event on 22 October 2021<br>• Temasek Foundation: Philanthropy Asia Summit on 15 November 2021<br>• WIEF Roundtable: Navigating the New Business Reality on 15 December 2021 |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | • "Corruption Risk Management" organised by the Institute of Corporate Directors Malaysia (ICDM) and presented by the Asia Business School on 14 & 15 July 2021 (webinar)<br>• Sustainability training organised by Tune Protect Group Berhad and presented by Climate Change Malaysia on 8 November 2021 |

# Corporate Governance Overview Statement *(cont'd.)*

| Name | Programmes |
|---|---|
| Dato' Fam Lee Ee | • "Corruption Risk Management" organised by the Institute of Corporate Directors Malaysia (ICDM) and presented by the Asia Business School on 14 & 15 July 2021 (webinar)<br>• "The Rise of Govcoins and What's Next for Crypto" organised by Asia News Network and The Star on 22 July 2021 (webinar)<br>• "Business Must Go On – The Digital Signing Way" organised by Tricor Training Academy on 27 July 2021 (webinar)<br>• Online forum entitled "Beyond Boundaries – Insurance in a Virtual World" organised by Tune Protect Group Berhad on 9 September 2021<br>• "Enhancing China-Malaysia Collaboration on the E&E Sector" organised by Industrial and Commercial Bank of China (ICBC) and the China Embassy on 29 October 2021 (webinar)<br>• "Malaysian Code on Corporate Governance 2021 – What's New and Updates" organised by the Minority Shareholders Watch Group (MSWG) on 8 December 2021 (webinar) |
| Dato' Mohamed Khadar bin Merican | • "Islamic Finance for Boards of Directors" organised by ISRA Consulting on 7 & 8 April 2021<br>• "Digitalisation, Security and Sustainability" organised by Star Media and presented by HP and Intel on 27 April 2021 (webinar)<br>• "Implementing Amendments in the Malaysian Code on Corporate Governance" organised by ICLIF Executive Education Centre and presented by the Asia Business School on 1 June 2021<br>• "Risk Management Committee - Banking Sector" organised by ICLIF Executive Education Centre and presented by the Asia School of Business on 1 & 2 July 2021<br>• "Corruption Risk Management" organised by the Institute of Corporate Directors Malaysia (ICDM) and presented by the Asia Business School on 14 July 2021 and 15 July 2021 (webinar)<br>• Sustainability training organised by Tune Protect Group Berhad and presented by Climate Change Malaysia on 8 November 2021 |
| Stuart L Dean<br>*(Resigned w.e.f. 1 November 2021)* | • "Corruption Risk Management" organised by the Institute of Corporate Directors Malaysia (ICDM) and presented by the Asia Business School on 14 & 15 July 2021 (webinar) |

## 6. REMUNERATION

The following table shows the remuneration details of the Directors of Capital A and AirAsia Berhad ("AAB") during the Financial Year:

| Director | Fees | Other Fees | Salaries | Bonuses | Total | Meeting, travelling and other allowances~ |
|---|---|---|---|---|---|---|
| | | | | | | |
| Datuk Kamarudin bin Meranun | - | - | 14,051,429.00 | 0 | 14,051,429.00 | 0.00 |
| Tan Sri Anthony Francis Fernandes | - | - | 14,947,213.00 | 0 | 14,947,213.00 | 124,781.00 |
| | | | | | | |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | 131,250.00^ | ***27,500.00<br>**17,500.00<br>*30,000.00 | - | 0 | 206,250.00 | 44,000.00 |
| Dato' Fam Lee Ee | 131,250.00^ | **27,500.00<br>*30,000.00<br>*^5,987.91<br>***17,500.00 | - | 0 | 212,237.91 | 44,000.00 |
| Dato' Mohamed Khadar bin Merican | 131,250.00^ | *37,500.00<br>*^17,500.00<br>***17,500.00 | - | 0 | 203,750.00 | 44,000.00 |
| Stuart L Dean (Resigned w.e.f. 01 November 2021) | 109,375.00^<br>16,665.00^^ | **14,583.00<br>*^22,917.00<br>***14,583.40 | - | 0 | 161,458.40 | 36,000.00 |

^ *From 23 July 2021 to 31 December 2021 pro-rated based on the basic Board fee of RM262,500 each per annum approved at the Fourth AGM.#*

^^ *Basic board fee per annum as a Director of AAB.#*

* *AC fee per annum as approved at the Fourth AGM.#*

** *NRC fee per annum as approved at the Fourth AGM.#*

*** *RMC fee per annum as approved at the Fourth AGM.#*

*^ *SRB fee per annum as approved at the Fourth AGM.#*

~ *The meeting allowance shall be RM2,000 per meeting.*

# *The Notice of AGM 2021 informed that the Non-Executive Directors of the Company had voluntarily offered to receive a 50% reduction in their fees for the period from 1 May 2020 up to the date of the AGM in 2021 and would continue with such reduction, on the remuneration structure, which was approved at the Fourth AGM until such time that the Company's financial performance improves significantly, or up to the next AGM of the Company, whichever comes earlier. This reduction has been applied to the Board and committee fees.*

# Corporate Governance Overview Statement *(cont'd.)*

### 7. LIMITS OF AUTHORITY

Capital A has a Limits of Authority ("LOA") policy in place, which defines the decision-making limits of each level of management within the Group. The LOA manual clearly outlines matters over which the Board reserves authority, in line with the Board Charter, and those delegated to the senior management. These limits cover, amongst others, authority over payments, investments, capital and revenue expenditure limits, budget approvals and contract commitments, as well as authority over non-financial matters.

The LOA manual provides a framework of authority and accountability within Capital A and facilitates decision-making at the appropriate level in the organisation's hierarchy. The latest LOA of Capital A was approved by the Board on 8 September 2021, and the LOA for the Group was subsequently updated by the senior management and approved by the Board on 29 December 2021.

### 8. REVIEW AND ADOPTING A STRATEGIC PLAN

The Board and AC will review the operational and financial performance of Capital A as well as its subsidiaries, joint ventures and associates under the Group on a quarterly basis. Detailed reports on the airline and non-airline investee companies within the Group are tabled for review and deliberation. The Board will assess their performance against budget and the corresponding quarter of the preceding year.

Furthermore, the Group's budget and strategy meeting is chaired by the CEO of Capital A to chart the direction for the current and near-term period ahead. The CEO updates the Board quarterly on progress made in relation to the Group's business plans, including changes and new initiatives, if any.

### 9. REMUNERATION AND SUCCESSION PLANNING

The Company places a strong emphasis on the development and growth of its staff, fondly known as Allstars. This is evidenced by Capital A's continuous commitment in grooming successors across the Group, in the spirit of One AirAsia. There is a Group Talent Policy in place to identify and build a robust Group talent pipeline. Talent reviews are conducted with senior management to map talent needs across the Group's different locations and identify future leaders.

The Group Talent function oversees structured talent entry and development initiatives, including leadership development programmes, coaching, cross-functional and cross-country assignments.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. AUDIT COMMITTEE

The AC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. It is chaired by Dato' Mohamed Khadar bin Merican, who is an Independent Non-Executive Director and not the Chairman of the Board. The Company has a policy which requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. During the Financial Year, no member of the AC was a former key audit partner.

In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by factors as prescribed under Paragraph 15.21 of the MMLR of Bursa Malaysia as well as Capital A's External Auditor Independence Policy.

The composition of the AC is reviewed annually to ensure that the Chairman and members of the AC are financially literate and can carry out their duties in accordance with the terms of reference of the AC. The AC members are expected to continuously update their knowledge and enhance their skills.

Based on the performance evaluation of the AC for the Financial Year, the Board is satisfied that the Chairman and members of the AC have discharged their responsibilities effectively.

The AC's report is set out on pages 174 to 177 of the Annual Report 2021.

### 2. RISK MANAGEMENT, SUSTAINABILITY AND INTERNAL CONTROL FRAMEWORK

Based on the performance evaluation of the RMC for the Financial Year, the Board is satisfied that the Chairman and members of the RMC have discharged their responsibilities effectively. The roles and responsibilities of the RMC were enhanced to include the oversight of sustainability initiatives and performance of the Group as resolved by the Board in December 2021. Henceforth, the committee shall be known as the Risk Management and Sustainability Committee ("RMSC").

The RMSC of the Company comprises three (3) Non-Executive Directors with a majority of Independent Directors. It is chaired by Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar, who is a Non-Independent Non-Executive Director of the Company.

The RMSC enables the Board to undertake and evaluate key areas of risk exposures and sustainability performance. Some of the primary responsibilities of the RMSC are as follows:

**Risk Management:**

(a) To oversee and recommend the Enterprise Risk Management ("ERM") strategies, frameworks and policies of the Group;
(b) To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks;
(c) To implement and monitor Business Continuity Plans with procedures and systems to restore critical business functions in the event of unplanned disaster; and
(d) To develop and inculcate a risk awareness culture within the Group.

**Sustainability:**

(a) To review and recommend appropriate sustainability strategies, policies, principles and practices which are applicable to the Company;
(b) To provide oversight and assess the Company's sustainability strategies, policies, principles and practices aligning it to the commitment of the Company towards sustainability;
(c) To provide direction and advice on listing on key sustainability indices that enhance investor valuation of the Company; and
(d) Oversee any concerns/allegations raised by stakeholders that involve public sentiment and government regulations.

The Company has also established a structured process for risk management and reporting within the ERM Framework as follows:

(a) The first line of defence is provided by senior management and business units, which are accountable for identifying and evaluating risks under their respective areas of responsibilities;
(b) The second line of defence is provided by the RMD and RMC which are responsible for facilitating and monitoring the risk management process and reporting; and
(c) The third line of defence is provided by the Group Internal Audit Department which provides assurance on the effectiveness of the ERM Framework.

In fulfilling its responsibilities in risk management and sustainability, the RMSC is assisted by the Risk Management Department ("RMD") and Group Sustainability Department ("GSD"), respectively.

A management level risk committee ("MRC") was established in 2019 to increase participation by senior management in risk management processes. The MRC is tasked with reviewing the key risks of Capital A prior to submission to the RMSC every quarter.

Similarly, sustainability concerns are driven by a Sustainability Working Group ("SWG") comprising Heads of Departments responsible for the year's sustainability targets. The SWG is chaired by the Head of Group Sustainability who reports the Company's progress to the RMSC on a quarterly basis.

The Statement on Risk Management and Internal Control is set out on pages 178 to 184 of the Annual Report 2021, and the Sustainability Report is set out on pages 96 to 162 of the Annual Report 2021.

### 3. CAPITAL A'S ANTI-BRIBERY AND ANTI-CORRUPTION POLICY ("ABAC POLICY")

In carrying out its governance oversight, the Board has also emphasised the importance of embracing integrity and ethical values across the organisation. In this regard, various departments within the organisation are assessed for risks related to corruption. Risk control, due diligence and anti-bribery and anti-corruption controls are carried out on these departments to reduce, mitigate and prevent potential risks.

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### 1. EFFECTIVE COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Capital A is committed to communicating openly, regularly and effectively with shareholders and investors through platforms such as the corporate section of its website, the Annual Report, Financial Announcements and Key Operating Statistics and Announcements through Bursa Malaysia and AGMs. The Investor Relations page of the website is updated regularly to provide stakeholders with all relevant information on Capital A to enable them to make informed decisions.

Capital A has a dedicated Investor Relations team which supports the senior management in their active participation in investor relation activities, including road shows, conferences and quarterly investor briefings with financial analysts, institutional investors and fund managers.

Capital A continues to fulfil its disclosure obligations as per Bursa Malaysia's Corporate Governance Guidelines. All disclosures of material corporate information are disseminated in an accurate, clear and timely manner via Bursa Malaysia announcements.

### 2. CONDUCT OF GENERAL MEETINGS

Given the size and geographical diversity of the Group's shareholders, the AGM is another important forum for interaction with this group of stakeholders. All shareholders will be notified of the AGM and provided with a digital copy of the Annual Report at least 28 days before the meeting. The Company also calls for an Extraordinary General Meeting ("EGM") for its shareholders to consider specific corporate proposal(s) as and when required.

In view of the Covid-19 pandemic, the Fourth AGM of Capital A was held fully virtually via live streaming and online remote voting from an online meeting platform located in Malaysia provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor"). All members of the Board joined the Fourth AGM remotely to respond to questions posted by shareholders or their proxies via the remote participation and voting ("RPV") facilities provided by Tricor.

The voting process at the Third and Fourth AGMs, which were held virtually in 2020 and 2021 respectively were conducted by online remote voting via the RPV facilities, and the results of the votes were scrutinised by an independent scrutineer. The EGMs held by the Company in 2021 were also held fully virtually from an online meeting platform in Malaysia, and the voting process was conducted via the RPV facilities. The Company will continue to leverage technology and tools to enhance the quality of its shareholder engagement and facilitate further participation by shareholders at its AGMs.

This CG Overview Statement was approved by the Board of Directors of Capital A on 22 April 2022.

# Audit Committee Report

This report outlines the activities of the Audit Committee ("the AC") of Capital A Berhad ("formerly known as AirAsia Group Berhad") ("Capital A" or the "Company") for the financial year ended 31 December 2021 ("the Financial Year").

This Report has been reviewed by the AC and approved by the Board of Directors ("the Board") of Capital A on 22 April 2022, for inclusion in this Annual Report.

The AC assists the Board in fulfilling its duties with respect to its oversight responsibilities over the Capital A Group ("the Group"). The AC is committed to its role of ensuring the integrity of the financial reporting process; the management of risks and systems of internal controls, external and internal audit processes and compliance with legal and regulatory matters; and the review of related party transactions and other matters that may be specifically delegated to the AC by the Board. The AC's responsibility for the internal audit of the Group is fulfilled through reviews of the quarterly and other reports of the Group Internal Audit Department ("GIAD").

## COMPOSITION OF THE AUDIT COMMITTEE

The AC has been established by the Board and comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. Members of the AC elect among themselves an Independent Director, who is not the Chairman of Capital A, as Chairman of the AC. The Terms of Reference of the AC are approved by the Board and complies with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The composition of the AC complies with the requirements of paragraph 15.09(1)(c) of the MMLR and is set out in Capital A's Corporate Governance Overview Statement ("CGOS") on page 164. Members of the AC are subject to annual evaluations, and its composition is reviewed annually by the Board.

## TRAINING

The training attended by the members of the AC during the financial year is set out in CGOS on pages 169 to 170.

## ATTENDANCE OF MEETINGS

A total of ten (10) meetings were held for the Financial Year. Members of the AC, together with details of their attendance at the AC meetings held during the year, are set out in the CGOS on page 168.

The AC meets on a scheduled basis during the financial year, and as and when required. The AC is assisted by an independent GIAD in carrying out its functions.

The Chief Executive Officer ("CEO") of Capital A, President (Aviation), President (Commercial) , President (Ventures) , Chief Financial Officer ("CFO") of Capital A, CEO of Super App, CFO of Super App, Chief Operations Officer, CFO (Aviation), Head of Group Internal Audit and Chief Legal Officer of Capital A are invited to attend meetings to assist the AC in deliberations as and when necessary.

## SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

The AC's duties and responsibilities are set out in its Terms of Reference, which are available at https://capitala.airasia.com/misc/terms-of-reference-of-audit-committees_v3.pdf.

In discharging its duties and responsibilities, the AC is guided by the AC Charter, which was approved by the Board and is aligned with the provisions of the MMLR of Bursa Malaysia, Malaysian Code on Corporate Governance ("MCCG"), and Corporate Governance Guide: Executive Summary.

During the financial year, the AC carried out the following activities in the discharge of its roles and responsibilities.

## INTERNAL AUDIT

- Mandated the GIAD to report directly to the AC.
- Reviewed the adequacy of the Internal Audit Charter ("IAC").
- Approved the IAC, which defines the purpose, authority, scope and responsibility of the Internal Audit function within the Group.
- Reviewed the scope, functions, budget, competency and resources of the GIAD, and that it had the necessary independence and authority to carry out its work professionally and with impartiality and proficiency.
- Reviewed and approved the Internal Audit plan for the Group.
- Reviewed Internal Audit Reports and ensured that appropriate and prompt remedial actions were taken by the Management on lapses in controls or procedures identified by the GIAD.
- Reviewed the Internal Audit Reports relating to the Capital A Group's affiliates.
- Ensured that all recommended actions by the GIAD were implemented in a timely manner.
- Reviewed the performance of the GIAD, including the internal assessment of the internal audit function.

- Undertook a performance appraisal of the Group Head, GIAD.
- Approved the appointment or termination of senior staff of the GIAD.
- Noted the resignations of GIAD staff, together with the reasons for their resignations.
- Reviewed reports on ad-hoc investigations performed by the GIAD and ensured appropriate actions were taken in relation to those investigations.
- Reviewed the results of the external assessment performed on the internal audit function.

**EXTERNAL AUDIT**

- Considered and recommended the appointment of the External Auditors and their audit fees.
- Monitored the External Auditor's performance and reviewed their independence and objectivity.
- Discussed with the External Auditor, before the audit commenced, the audit plan, which included the scope, methodology and timing of the audit, as well as the areas of audit emphasis for the year under review.
- Discussed the coordination with other external auditors in the Group.
- Reviewed major findings raised by the External Auditors and Management's responses, and ensured that all recommendations arising from the audit were properly implemented, including the status of the previous audit recommendations.
- Discussed matters arising from the interim and final audits with a view to further improving controls in the Group.
- Met with the External Auditors without the presence of the Management.
- Provided a line of communication between the Board and the External Auditors.
- Ensured that there is coordination between both Internal and External Auditors.
- Reviewed the extent of assistance and co-operation extended by the Group's employees to the External Auditors and ensured that all information required by the External Auditors were made available to them.
- Reviewed and monitored the provision of non-audit services by the External Auditors to ensure that these services do not compromise the independence of the External Auditors.
- Obtained from the Group's External Auditors a formal written statement delineating all relationships between the External Auditors and the Group, as required by International Standard on Auditing 260, modified as appropriate based on Malaysian guidelines for auditor's independence, and obtained confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement.
- Received continuous updates from the External Auditors on changes in the Malaysian Financial Reporting Standards as well as the International Financial Reporting Standards to ensure that the Group is ready for implementation and to understand the implications, if any, on the Group's Financial Statements.

**FINANCIAL REPORTING AND BURSA MALAYSIA ANNOUNCEMENTS**

- Reviewed and recommended the quarterly and annual management accounts of the Group and Capital A for approval of the Board.
- Reviewed and recommended the Annual Financial Statements to Bursa Malaysia for the Group and Capital A for approval of the Board.
- Reviewed and recommended the Quarterly Financial Statements to Bursa Malaysia for the Group and Capital A for approval of the Board.

For purposes of the above, the AC considered changes in accounting policies and practices and the implementation of such changes, compliance with accounting standards and other legal and regulatory requirements, significant and unusual events, significant adjustments arising from the audit process, material litigation, the going concern assumption and where applicable, review and ensure corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) complied with the disclosure requirements of Bursa Malaysia.

**RELATED PARTY TRANSACTIONS**

- Reviewed related party transactions and conflicts of interest situations to ensure that such transactions were undertaken on an arm's length basis and were in the best interest of the Group and Capital A and where appropriate, recommended to the Board for approval.
- Reviewed the process used to procure shareholders' mandate for recurrent related party transactions.

**INVESTIGATIONS**

- Considered major findings of internal investigations and Management's response.
- Reviewed Capital A's procedures for detecting fraud and whistleblowing.

# Audit Committee Report *(cont'd.)*

## INTERNAL CONTROLS

- By way of discussions with key Senior Management and through the review of the process undertaken by the GIAD and the External Auditors, evaluated the overall adequacy and effectiveness of:
  - the system of internal controls, including controls within information technology;
  - the Group's finance, accounting and audit organisations and personnel; and
  - the Group's policies and compliance procedures with respect to business practices.
- Reviewed the establishment of policies and procedures relating to anti-bribery and anti-corruption to prevent the offences under the Malaysian Anti-Corruption Commission (MACC) Act 2009 and such other applicable anti-bribery and anti-corruption laws in jurisdictions where the Group operates.
- Regular reviews were conducted to assess the performance, efficiency and effectiveness of the ABAC Policies.
- Reviewed the employee code of business practice, vendor code of business practice, the whistleblowing policy and the outcome of any cases investigated.

## ANNUAL REPORT

- Further information on the summary of the AC activities in discharging its functions and duties for the Financial Year and how it has met its responsibilities are provided in the Corporate Governance ("CG") Report in accordance with Practice 8.5 of the Malaysian Code on Corporate Governance ("MCCG").
- The AC has reviewed the Statement of Risk Management and Internal Control and the Statement of Corporate Governance prior to their inclusion in the Group's Annual Report.

## ANNUAL REVIEW OF THE TERMS OF REFERENCE OF THE AUDIT COMMITTEE

- Reviewed and assessed the adequacy of the terms of reference of the AC on annually, and where necessary, obtained the assistance of the Management, Group's External Auditors and external legal counsel, and recommended changes to the Board for approval.

## INTERNAL AUDIT FUNCTION

The Group has a well-established in-house GIAD to assist the AC in carrying out its functions. The GIAD maintains its independence through reporting directly to the AC. The GIAD plans and provides supervision on internal audit services across all subsidiaries and associated companies in the Group, including the various Airline Operating Companies ("AOCs"). The internal audit teams in the respective AOCs have a reporting line to the Group Head, GIAD. The GIAD reviews and compiles their reports in the form of a Group Internal Audit Report to be submitted and presented to the AC for its review and deliberation.

The GIAD is guided by its Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department and aligned with the International Professional Practice Framework ("IPPF") on Internal Auditing issued by the Institute of Internal Auditors. The Group Head, GIAD reports functionally to the AC and administratively to the CEO of Capital A.

The principal responsibility of the GIAD is to undertake regular and systematic reviews of the systems of internal controls so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The GIAD adopts a risk-based audit methodology with reference to the five elements of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) i.e. control environment, risk assessment, control activity, information and communication as well as monitoring, to develop its audit plans by determining the priorities of the internal audit activities, consistent with the strategies of the Group. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls, including compliance with Capital A's policies, procedures and regulatory responsibilities.

The audits cover the review of the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirements, governance and management efficiency, among others. The audit reports, which provide the results of audits conducted, are submitted to the AC for review. Key control issues and recommendations are highlighted to enable the AC to execute its oversight function. Areas for improvement and audit recommendations are also forwarded to the Management for their attention and further action. The Management is responsible for the implementation of corrective actions within the required time frame.

On 10 January 2022, GIAD confirmed its organisational independence to the AC, where the Group Head, GIAD and all the internal auditors had signed the Annual Code of Ethics and Conflict of Interest Declaration for the Financial Year that they were and had been independent, objective and in compliance with the Code of Ethics and Conflict of Interest as per IPPF in carrying out their duties for the Financial Year.

The AC reviews and approves the GIAD and IADs in other AOCs human resource requirements to ensure the function is adequately resourced with competent and proficient internal auditors.

The total costs incurred by GIAD in discharging its functions and responsibilities in 2021 amounted to RM2,309,051 as compared to RM3,420,245 in 2020.

Further information on the resources and the name and qualification of the Group Head, GIAD are provided in the CG Report in accordance with Practice 10.2 of the MCCG.

## INTERNAL AUDIT ACTIVITIES DURING THE FINANCIAL YEAR

The GIAD implements a risk-based methodology in establishing its strategic and annual audit plan, which determines the areas or units to be audited. During the Financial Year, the AC reviewed, challenged and approved the audit plans for the GIAD and the respective IADs. In doing so, the AC ensured, among others, consistency in the audit methodology deployed, as well as robustness in the audit planning process.

The GIAD continues its commitment to equip our internal auditors with adequate knowledge and proficiency. About RM5,000 was spent on training in the areas of auditing skills, technical skills and personal development; inhouse, online and external training. As at 31 December 2021, the average training days attended by each staff are two (2) days.

Further information on the resources, objectivity and independence of the Group Head, GIAD and internal auditors are provided in the Corporate Governance Report in accordance with Practice 10.2 of the MCCG.

During the Financial Year, audit reviews were conducted based on the internal audit plan approved by the AC. The GIAD and IADs in other AOCs completed and reported on 64 audit assignments, including ad-hoc requests, which were requested by the Board, AC or Senior Management, and those which arose from reports pursuant to the Group's Whistleblowing Policy. The audits conducted covered a wide range of areas, including key areas such as procurement, ground operations, aircraft refuelling process, human resources, inflight ancillary and warehouse, risk management, ICT desktop management, aviation security, cargo, safety, chartered flight, sales and distribution, marketing, treasury, network management, validation of service level agreement, review of anti-bribery and anti-corruption framework implementation, e-commerce, governance and IT systems such as Oracle.

The Group Head, GIAD together with Head of Corporate and Station Audit, Head of Fraud and Investigation Unit and Head of IT Audit attended the AC meetings to brief the AC on audit results and significant matters raised in the detailed GIAD report, including findings provided by the respective IADs.

Internal audit reports detailing audit findings and recommendations are provided to Management who respond with the actions to be taken. Weekly follow-ups are conducted to monitor the progress of corrective actions until these are completed and closed off. The CEO of Capital A and CEO of AAB are updated on the current status of open action plans. The IADs submit audit reports to the AC every quarter on the status of audit plans, audit findings, and actions taken by Management on such findings. The IADs' reports and follow-up actions are also presented to the relevant board committees and CEOs of the AOCs.

## GIAD DIGITALISATION INITIATIVES

GIAD has embraced digitalisation aligned with the Group strategy with continuous improvement on the digitalisation initiatives and directions adopted in 2021 by automating the weekly follow-up and development of dashboard processes.

# Statement on Risk Management & Internal Control

As part of our corporate governance and in line with best practices, Capital A Berhad (formerly known as AirAsia Group Berhad) ("Capital A" or "the Company") is committed to maintaining a comprehensive and robust risk management and internal control system. The Board of Directors ("the Board") of the Group is guided by the requirements set out within Paragraph 15.26 (b) of the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad as well as the Malaysian Code on Corporate Governance 2021 released by the Securities Commission Malaysia. The following statement outlines the nature and scope of the Group's risk management framework and internal controls for the financial year ended 2021 ("Financial Year").

## RESPONSIBILITIES OF THE BOARD

The Board is committed to implementing and maintaining a robust risk management and internal control environment and is responsible for the system of risk management and internal control. The Board acknowledges that the risk management and internal control systems are designed to manage and minimise risks as it may not be possible to totally eliminate the occurrence of unforeseeable circumstances or losses.

## RISK MANAGEMENT COMMITTEE

The Board has delegated the governance of Group risk to the Risk Management Committee ("RMC"). The RMC was established in the year 2018 and comprises three (3) Non-Executive Directors with a majority of Independent Directors.

The RMC enables the Board to undertake and evaluate key areas of risk exposures. The primary responsibilities of the RMC are as follows:

- To oversee and recommend the Enterprise Risk Management ("ERM") strategies, frameworks and policies of the Group.
- To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks.
- To implement and monitor Business Continuity Plans ("BCP") with procedures and systems to restore critical business functions in the event of any unplanned disaster.
- To develop and inculcate a risk awareness culture within the Group.

In fulfilling its responsibilities in risk management, the RMC is assisted by the Risk Management Department ("RMD")

## MANAGEMENT

The Management team is responsible for ensuring that policies and procedures on risk and internal control are effectively implemented. The Management team is accountable for identifying and evaluating risks as well as achieving business goals and objectives within the risk appetite parameters approved by the Board.

## RISK MANAGEMENT DEPARTMENT

The Risk Management and Business Continuity Management framework is coordinated by the RMD in accordance with ISO 31000 and ISO 22301 standards.

The RMD develops risk policies, sets minimum standards, provides guidance on risk related matters, coordinates risk management activities with other departments, as well as monitors the Group's risks. The RMD's principal roles and responsibilities are as follows:

- Review and update risk management methodologies, specifically those related to the identification, measuring, controlling, monitoring and reporting of risks
- Provide risk management training and workshops
- Review risk profiles and mitigation plans of departments
- Identify and inform the RMC and Management of critical risks faced by the Group
- Monitor action plans for managing critical risks

## AUDIT COMMITTEE

The Audit Committee ("AC") monitors the adequacy and effectiveness of the system of internal controls through a review of the results of work performed by the Group Internal Audit Department ("GIAD") and External Auditors and discussions with Senior Management.

The AC, established by the Board in the year 2018, comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The AC Report is disclosed on pages 174 to 177 of this Annual Report.

The duties and responsibilities of the AC are set out in its Terms of Reference which is available on the Group's corporate website at (https://capitala.airasia.com/misc/terms-of-reference-of-audit-committees_v3.pdf).

**GROUP INTERNAL AUDIT DEPARTMENT**

The GIAD regularly reviews the Group's systems of internal controls and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. It integrates a risk-based approach in determining the auditable areas and frequency of audits. The annual audit plan for the Group is reviewed and approved by the AC. GIAD is guided by its Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, GIAD provides recommendations to Management to improve their design and effectiveness of controls where applicable. The GIAD's functions are disclosed in the AC Report on pages 174 to 177 of this Annual Report.

**ENTERPRISE RISK MANAGEMENT FRAMEWORK**

The ERM framework standardises the process of identifying, evaluating and managing risks faced by the Group for the Financial Year.

The ERM framework covers the following key features:

- Roles and responsibilities of the Board, RMC, RMD, Management and departments
- Guidance on risk management processes and associated methodologies and tools
- Guidance on risk register and controls assessments
- Guidance on business impact analyses

The Group has established a structured process for risk management and reporting within the ERM framework as follows:

- The first line of defence is provided by Management and departments which are accountable for identifying and evaluating risks under their respective areas of responsibilities
- The second line of defence is provided by the RMD and RMC which are responsible for facilitating and monitoring risk management processes and reporting
- The third line of defence is provided by the GIAD which provides assurance on the effectiveness of the ERM framework

A key component of the ERM framework is Business Continuity Management and the Group has established business continuity plans which enable it to respond effectively in the event of a crisis and to prevent significant disruption to operations.

**RISK MANAGEMENT INITIATIVES IN 2021**

During the Financial Year, the RMD focused on strengthening the structure and documentation for ERM across the Group, increasing Management participation in risk management, providing robust risk management education and awareness, and completing targeted business impact analyses and recovery plans testing. This had been done by the implementation of the Red Radar Risk Management System that enables a systematic approach in managing risks across the Group.

A key initiative was the formation of a Management level risk committee ("MRC") to increase participation by Management in risk management processes. The MRC is tasked with reviewing the Group's key risks prior to submission to the RMC every quarter.

The RMD also identified and established Crisis Management Teams across the Group to respond to business continuity events and conducted BCP exercises for key systems, functions and stations to minimise significant operational disruptions in the event of a crisis across the Group.

# Statement on Risk Management & Internal Control *(cont'd.)*

The Group's significant risks and mitigation actions are broadly categorised as follows:

| RISK | MITIGATION |
|---|---|
| **A. STRATEGIC** | |
| **Political and Environment Uncertainties**<br><br>Political instability, market downturn, natural disasters, health epidemic and any other events that are outside of the Group's control in geographical areas where the Group operates that could affect its business operations. | The Group mitigates this risk by constantly monitoring information related to areas that can impact its business operation. Such information is used to adjust asset allocation, capacity management and promotions to reduce the potential impact of these risks.<br><br>The Group has also established Crisis Management Teams that will respond and reduce the impact of a crisis on its business operations. |
| **Competition**<br><br>Intense competition in the market place arising from new entrances of players, expansion of competitors' networks and fare wars. | The Group mitigates this risk by strengthening its route network, expanding into greenfield markets which attract "first entrant" incentives such as airport charges and by offering competitive fare adjustments. |
| **Reputation and Branding**<br><br>Reputational damage that arises through adverse media publicity and social networks which are caused by consumer grievances or any specific campaigns that bring about any negative sentiments against the Group. | The Group mitigates this risk by having a Social Command Centre which operates in real time; to monitor and respond urgently to any adverse media publicity or consumer grievances.<br><br>Further to that, a media monitoring service is utilised to monitor and notify the Group of any targeted media coverage that could create reputational damage. |
| **B. OPERATIONAL** | |
| **System Outages**<br><br>Outages of mission-control systems which are required for the continuity of flight operations. | The Group mitigates this risk by developing, implementing and testing the specific backup and failover systems to reduce system outages.<br><br>The Group has also put in place alternative sites that exist in the different geographical areas in the event these mission-control systems fail in any one location. A Business Continuity Management Plan with the relevant Crisis Management Plan has been put into place to ensure this. |
| **Value Chain Disruption**<br><br>Failure in the airport systems that supports the aircraft refuelling, baggage handling, immigration, customs and quarantine processes which may lead to significant delays and business operational disruptions. | The Group mitigates this risk by constant monitoring and communicating with the airport authorities so that any potential service disruptions can be prevented. The Group does periodic testing at different airports and hubs through its Business Continuity Management Plan to ensure minimal disruptions. |

| RISK | MITIGATION |
|---|---|
| **B. OPERATIONAL *(cont'd.)*** | |
| **Cyber Threats**<br><br>These arise from different information system channels that bring about threats such as ransomware, phishing, data leakage, hacking and inside threats. These threats can cause significant damage and losses to the Group. | The Group mitigates these risks by having a dedicated information security team that focuses on detecting, containing and remediating cyber threats. The Group adopts a robust information security system that revolves around the ISO/IEC 27001 process and methodology to secure its information systems. Regular security assessments, penetration tests and source code reviews are performed on the systems to ensure cyber resilience. |
| **Safety Threats**<br><br>Increasing exposure to operational safety hazards and risk as the Group increases routes, flights and passenger volumes. | The Group mitigates this risk through a robust Safety Management System that is emphasised through the Safety Review Board ("SRB") which ensures that rigid safety targets are obtained through the safety and quality standards. The Group places emphasis on digital tools that capture data for safety risk analysis promoting continuous improvement. The Group is subject to routine mandatory Safety Audits for its operating licenses. The Group has completed all IATA Operational Safety Audits with the relevant certification for Malaysia, Thailand, Indonesia and Philippines. |
| **C. FINANCIAL** | |
| **Covid-19 Pandemic**<br><br>The aviation industry has been hardest hit due to closure of international borders and the drastic reduction in flights as well as passenger volumes. This has created operating cash flow challenges and losses that could lead to insolvency. | The Group mitigates this risk by cost reduction and cost avoidance exercises to manage the loss in revenue. Further to that, the Group has sought additional funding through several corporate exercises to keep it as a going concern. |
| **Fuel Price**<br><br>Fluctuations in fuel price have a significant impact on profitability as fuel comprises a key component of the business' operational costs. | The Group mitigates this risk by actively monitoring and managing its exposure to fuel price volatility through various hedging strategies. The Group treasury department has a team that monitors and manages its hedging strategy. |
| **Foreign Currency Translations**<br><br>Unexpected depreciation of the Malaysian Ringgit could have a significant impact on the cost of financing and business operations. This holds particularly true of the exchange rate with the US Dollar. | The Group mitigates this risk by actively monitoring and managing its exposure to foreign currency volatility through various hedging strategies. The Group treasury department has a team that monitors and manages its hedging strategy. |

# Statement on Risk Management & Internal Control *(cont'd.)*

| RISK | MITIGATION |
|---|---|
| **D. COMPLIANCE** | |
| **Non-Compliance with Regulatory Requirements**<br>Non-Compliance and breach of local laws, regulations, industry guidelines, and consumer authority requirements of multiple jurisdictions could lead to license and operational revocations. | The Group mitigates this risk by maintaining a high level of engagement with the regulators of each jurisdiction so that all regulatory requirements are adhered to constantly. Furthermore, the Group monitors all local regulatory landscapes for new or amended regulations that affect the Group. |
| **Data Security and Privacy**<br>Violation of data privacy laws and regulations that could cause potential litigation and loss of customer confidence. | The Group mitigates this risk by establishing a data governance framework with data security and privacy working group that reviews existing policies and procedures to ensure complete compliance with the required laws, regulations and best practices. |
| **Anti-Bribery and Anti-Corruption Regulatory Requirements**<br>This had been an Act by the Malaysian Anti-Corruption Commission (MACC) that was enacted in 2008 and then amended in 2018. This amendment had incorporated Section 17A that puts all Management and the Board of Directors to be held accountable and responsible for any act of bribery and corruption with the organisation in any jurisdiction that it has business operations. | The Group mitigates this risk by adopting a zero tolerance policy on bribery and corruption. This policy has been disseminated to all internal personnel and external parties that conduct business transactions with the Group. All internal personnel are required to acknowledge their awareness of this policy. |

## INTERNAL CONTROL FRAMEWORK

The following key internal control structures (including the AC and the GIAD disclosed above) are in place to assist the Board to maintain a proper internal control system:

### Board Governance

The Board has oversight of the Group's operations and is kept updated on activities in a timely and regular basis through Board meetings with formal agenda on matters for discussion. The Board of Capital A has established four (4) committees, namely the AC, RMC, Nomination and Remuneration Committee and SRB to assist it in executing its governance responsibilities. Further information on the various Board Committees is provided in the Corporate Governance Overview Statement from pages 164 to 173 of this Annual Report.

### Senior Management Responsibilities

Regular management and operations meetings are conducted by Senior Management, which comprises the Chief Executive Officer ("CEO"), President (Aviation), President (Commercial), President (Ventures), Chief Financial Officer ("CFO") of the Group, CEOs of various airline and non-airline operating companies, and Heads of Department.

The Boards of our associated companies include our representatives. Information on the financial performance of our associated companies is provided regularly to the Management and Board of the Company via regular management reports and presentations at Board meetings.

In respect to the joint ventures entered into by the Group, the Management of the joint ventures, which consist of representatives from the Group and other joint venture partners, are responsible to oversee the administration, operation and performance of the joint ventures. Financial and operational reports on the joint ventures are provided regularly to the Management of the Company.

### Segregation of Duties

Segregation of duties is embedded in the key business processes. The Group has in place a system to ensure there are adequate risk management, financial and operational policies and procedures.

**Internal Policies and Procedures**

Policies, procedures and processes governing the Group's businesses and operations are documented and readily available to employees across the Group on Capital A's intranet portal. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured and standardised process of review. This is to ensure that appropriate management controls are in place to manage risks arising from changes in legal and regulatory requirements as well as the business and operational environment.

**Financial Budgets**

A detailed budgeting process has been established requiring all Heads of Department to prepare budgets and business plans annually for deliberation and approval by the Board. In addition, the Group has a reporting system on actual performance against the approved budgets, which requires explanations for significant variances and plans by Management to address such variances.

**People Management**

The Group acknowledges that a robust risk management and internal control system is dependent on its employees applying responsibility, integrity and good judgment to their duties. As such, the Group has in place policies and procedures that govern its recruitment, appointment, performance management, compensation and reward mechanisms as well as policies and procedures that govern discipline, termination and dismissal of employees and ensures compliance of the same with all applicable laws and regulations.

**Limits of Authority**

The Group documented its Limits of Authority ("LOA") clearly defining the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of Management and the Board. The LOA is reviewed regularly and any amendments made must be tabled to and approved by the Board. The latest Capital A's LOA was approved by the Board on 28 August 2019.

**Insurance**

The Group maintains adequate insurance and physical safeguards on assets to ensure these are sufficiently covered against any incident that could result in material losses. Specifically, the Group maintains the Group Aviation Insurance which provides coverage for the following:

- Aviation Hull and Spares All Risks and Liability
- Aviation Hull and Spares War and Allied Perils (Primary and Excess)
- Aircraft Hull and Spares Deductible
- Aviation War, Hijacking and other Perils Excess Liability (Excess AVN52)

**Information Security**

Information Security protects information (data), the systems it is housed in and the users of these systems from a wide range of threats, as well as safeguards the confidentiality, integrity and availability of information. Information security in the Group is achieved through a set of controls which includes policies, standards, procedures, guidelines, organisation structures and software control functions.

The Group acknowledges the importance of leveraging Information Technology ("IT") to promote effectiveness and efficiency of business operations. Heavy reliance on IT exposes us to emerging cyber security threats, hence Group Information Security Management is in place to manage cyber security risk. The Information Security Management programme includes:

- Evaluations of the adequacy of controls for new infrastructures and information systems
- Valuations of emerging security technologies
- Adequacy of information asset protection within the Group
- Assurance of the adequacy of security controls by coordinating security reviews such as penetration testing and vulnerability assessment

**Code of Conduct**

The Group has a Code of Conduct ("the Code") which governs the conduct of its employees, officers and directors. The Code sets out the standards and ethics that they are expected to adhere to. It highlights the Group's expectations on their professional conduct which includes:

- The environment inside and outside of workplace
- The working culture
- Conflicts of interest
- Confidentiality and disclosure of information
- Good practices and controls
- Duty and declaration

The Code also sets out the circumstances in which an employee, officer and director would be deemed to have breached the Code after due inquiry and disciplinary actions that can be taken against them if proven guilty.

# Statement on Risk Management & Internal Control *(cont'd.)*

**Whistleblowing Policy**

The Group has in place an effective Whistleblowing Policy which provides a platform for employees or third parties to report instances of unethical behaviour, actual or suspected fraud or dishonesty, or a violation of Capital A's Code of Conduct. It provides protection for the whistle-blowers from any reprisals as a direct consequence of making such disclosures. It also covers the procedures for disclosure, investigations and the respective outcomes of such investigations. The Group expects its employees to act in the Group's best interests and to maintain high principles and ethical values. The Group will not tolerate any irresponsible or unethical behaviour that would jeopardise its good standing and reputation.

As the custodian of the Whistleblowing Policy, GIAD has consistently conducted internal control, fraud and whistleblowing awareness briefings to all new hires through the Regional Orientation Programme conducted in collaboration with the People & Culture Department. GIAD also shares information and articles regarding whistleblowing and fraud through the Group's internal sharing platform, Workplace, which is accessible to all employees.

**Conclusion**

The Board has received assurance from the CEO, President (Aviation), President (Commercial), President (Ventures) and CFO of Capital A that the Group's risk management and internal control system are operating adequately and effectively in all material aspects. For areas which require improvement, action plans are being developed with implementation dates being monitored by the respective Heads of Department. The Board also receives quarterly updates on key risk management and internal control matters through its Board Committees. Based on assurance received from Management and updates from the Board Committees, the Board is of the view that the Group's risk management and internal control systems were operating adequately and effectively during the Financial Year under review up to the date of approval of this statement.

The Group's associate companies are in the process of fully adopting the Group's risk management and internal controls. The disclosure in this statement does not include the risk management and internal control practices of Capital A's material joint ventures.

**Review of the Statement by External Auditors**

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. The AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is in accordance with the resolution of the Board of Directors of the Group on 22 April 2022.

# Additional Compliance Information

The information set out below is disclosed in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the financial year ended 31 December 2021 ("Financial Year") for Capital A Berhad (formerly known as AirAsia Group Berhad) ("Capital A" or "the Company"):-

## UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

### PRIVATE PLACEMENT

The Company had at its Fourth Annual General Meeting held on 22 July 2021 ("4th AGM") obtained its shareholders' approval on the general mandate for issuance of shares by the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 ("Act") as well as the Additional Temporary Relief Measures to listed corporations for Covid-19, issued by Bursa Malaysia via its letter dated 16 April 2020, for the Board of Directors of the Company to issue ordinary shares in the Company at their discretion provided that the aggregate number of shares issued does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company at any point of time, inclusive of the extended utilisation period until 31 December 2021, unless revoked or varied by an ordinary resolution of the Company at a general meeting ("20% General Mandate").

Pursuant to the 20% General Mandate obtained at the 4th AGM, the Company had on 21 January 2021 announced the private placement of up to 668,394,816 new ordinary shares ("Placement Shares") in the Company, representing up to 20% of the Company's enlarged issued share capital, which was done in the following tranches:-

(a) the Company completed the listing of and quotation for 369,846,852 units of Placement Shares on the Main Market of Bursa Malaysia on 19 February 2021;

(b) the Company completed the listing of and quotation for 100,367,362 units of Placement Shares on the Main Market of Bursa Malaysia on 17 March 2021.

The Company had on 30 December 2021 announced that it decided not to place out the remaining Placement Shares of the Private Placement. As such, the Private Placement was deemed completed.

As at 31 March 2022, the Company had fully utilised the total gross proceeds of RM336.5 million, as detailed in the following table:

| Proposed utilisation of proceeds | Proposed Utilisation RM'000 | Actual Raised RM'000 | Actual Utilisation RM'000 | Balance RM'000 | Expected timeframe for utilisation (from the date of listing of Placement Shares) |
|---|---|---|---|---|---|
| Fuel hedging settlement | 146.6 | 108.5 | 108.5 | 0 | Fully utilised |
| Aircraft lease and maintenance payments | 95.2 | 70.5 | 70.5 | 0 | Fully utilised |
| AirAsia Digital Sdn. Bhd. business units' development costs, product & market expansion costs, and marketing expenses | 77.0 | 57.0 | 57.0 | 0 | Fully utilised |
| General working capital expenses | 135.5 | 100.3 | 100.3 | 0 | Fully utilised |
| Estimated expenses for the Private Placement | 0.2 | 0.2 | 0.2 | 0 | Fully utilised |
| Total# | 454.5 | 336.5 | 336.5 | 0 | |

***Notes:***

*# The actual amount of proceeds raised from the Private Placement depends on, amongst others, the actual issue price and the number of Placement Shares issued. The Company allocated the utilisation of proceeds in the same weightage as set out in the announcement on the proposed utilisation.*

# Additional Compliance Information *(cont'd.)*

## 1. RENOUNCEABLE RIGHTS ISSUE OF REDEEMABLE CONVERTIBLE UNSECURED ISLAMIC DEBT SECURITIES ("RCUIDS")

On 12 July 2021, the Company announced that it proposed to undertake a Renounceable Rights Issue of RCUIDS of up to RM1,024,058,370 in nominal value of a seven-year RCUIDS of RM0.75 on the basis of two RCUIDS with one free detachable warrant ("Warrant") for every six ordinary shares in the Company ("Rights Issue"). The above proposal was approved by the shareholders of the Company at an Extraordinary General Meeting held on 11 November 2021.

Based on the nominal value of the RCUIDS at RM0.75 each, the Rights Issue resulted in the issuance of 1,299,350,959 RCUIDS together with 649,675,479 Warrants.

On 31 December 2021, the Company announced that the Rights Issue had been completed following the listing and quotation of 1,299,350,959 RCUIDS with a nominal value of RM974,513,219.25 and 649,675,479 Warrants on the Main Market of Bursa Malaysia.

As of 31 March 2022, the Company had utilised approximately RM537.4 million of the total gross proceeds of RM974.5 million, as detailed in the following table:

| Proposed utilisation of proceeds | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Balance RM'000 | Expected timeframe for utilisation (from the date of listing of Placement Shares) |
|---|---|---|---|---|
| Fuel hedging settlement | 226.7 | 114.3 | 112.4 | 5 months |
| Aircraft lease and maintenance payments | 202.8 | 202.8 | 0 | Fully utilised |
| AirAsia Digital Sdn. Bhd. business units | 73.7 | 60.0 | 13.7 | Within 12 months |
| General working capital expenses | 451.0 | 140.0 | 311.0 | Within 12 months |
| Estimated expenses for the Rights Issue | 20.3 | 20.3 | 0 | Fully utilised |
| Total# | 974.5 | 537.4 | 437.1 | |

***Notes:***

*# The Company will allocate the utilisation of proceeds in the same weightage as set out in the announcement on the proposed utilisation.*

## 2. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by Capital A and its subsidiaries involving directors' and major shareholders' interests still subsisting at the end of the Financial Year.

## 3. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees of Capital A and its Group (as below) are also disclosed in the Audited Financial Statements set out under Note 6 to the Financial Statements on page 245 of this Annual Report:-

| Audit Fees | Company RM'000 | Group RM'000 |
|---|---|---|
| Audit fees paid to the External Auditors for the Financial Year | RM200 | RM2,556 |

| Non-Audit Fees | Company RM'000 | Group RM'000 |
|---|---|---|
| Non-audit fees paid to the External Auditors for the Financial Year in connection with advisory related work | NIL | RM75 |

## 4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the 4th AGM, Capital A had obtained a mandate from its shareholders for Capital A and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the MMLR of Bursa Malaysia, details of the recurrent related party transactions of a revenue or trading nature entered into during the Financial Year are as follows:

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| **Revenue/income** | | | | |
| 1. | AirAsia X Berhad ("AAX") [Registration No.: 200601014410 (734161-K)] | Provision of the following range of services by AirAsia Berhad [Registration No.: 199301029930 (284669-W)] ("AAB") to AAX:<br>a) Commercial<br>- Sales and distribution<br>- Sales support<br>- Direct channel<br>- Branding and Creative<br>- Web team: Manage, plan, build and develop airasia.com website<br>- Digital Marketing<br>- Ancillary<br>b) Treasury<br>Fuel procurement<br>Fuel hedging<br>c) Revenue Assurance – Credit card fraud unit<br>d) Internal Audits<br>e) Group Inflight Ancillary<br>f) Engineering<br>g) Customer Support | **Interested Directors and Major Shareholders**<br>Tan Sri Anthony Francis Fernandes ("Tan Sri Tony")<br>Datuk Kamarudin bin Meranun ("Datuk Kamarudin") | Nil |
| 2. | AAX | Provision of the rights to operate scheduled air services under the trade name and livery of AAB | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |

# Additional Compliance Information *(cont'd.)*

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| 3. | AAX | Provision of the following shared services by AirAsia SEA Sdn. Bhd. [Registration No.: 201301015339 (1045172-A)] ("AirAsia SEA"):-<br><br>a) Finance and accounting support operation services;<br>b) People department support operation services;<br>c) Information and technology operation support services; and<br>d) Sourcing and procurement operation support services | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 4. | Tune Protect Group Berhad [Registration No. 201101020320 (948454-K)] ("TPGB") | Provision of the right to access AAB's customer database for TPGB to conduct marketing on TPGB's and/or third party insurance products and the provision of management services by TPGB to Capital A Group's travel insurance business | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin<br>Dato' Mohamed Khadar bin Merican ("Dato' Khadar Merican") | RM3,967 |
| 5. | TPGB | TPGB's subscription to advertising services in Rokki Sdn. Bhd. [Registration No.: 201101006967 (935105-W)] ("Rokki")'s portal | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin<br>Dato' Khadar Merican | Nil |
| 6. | Tune Insurance Malaysia Berhad [Registration No.: 197601004719 (30686-K)] ("TIMB") | Provision of travel insurance by TIMB to AAB's customers for journeys originating in Malaysia, resulting in sales commission received by AAB | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin<br>Dato' Khadar Merican | RM1,340,592 |

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| 7. | Thai AirAsia X Co. Ltd. [Registration No.: 0105556044936) ("TAAX") | Provision of the rights to operate scheduled air services under the trade name and livery of AAB | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |
| 8. | TAAX | Provision of price risk management through fuel hedging with hedging counterparties, on behalf of TAAX | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |
| 9. | PT. Indonesia AirAsia Extra (Registration No.: 09.03.1.51.8912 ("IAAX") | Provision of leasing of aircraft | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |
| 10. | IAAX | Provision of the following shared services by AirAsia SEA:-<br><br>a) Finance and accounting support operation services;<br>b) People department support operation;<br>c) Information and technology operation support services;<br>d) Sourcing and procurement operation support services; and<br>e) Innovation, commercial and technology services. | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |
| 11. | AAX | Supply of in-flight entertainment system, hardware, software, content and updates by Rokki | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |

# Additional Compliance Information *(cont'd.)*

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| 12. | AAX | Provision of operational services by AirAsia (Guangzhou) Aviation Service Limited (Registration No.: 91440101MA5ALG3R31) ("AirAsia (Guangzhou)") to AAX in China | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | CNY103,119 (RM67,231) |
| 13. | TAAX | Provision of operational services by AirAsia (Guangzhou) to TAAX in China | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | CNY1,166,202 (RM762,963) |
| 14. | AAX | Sale of loyalty points under the BIG Loyalty Programme | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | RM85 |
| 15. | TAAX | Sale of loyalty points under the BIG Loyalty Programme | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | RM687 |
| 16. | Tune Talk Sdn. Bhd. [Registration No.: 200601001210 (720957-V)], incorporated in Malaysia ("Tune Talk") | Provision of advertisement services on Capital A's Wifi portal | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |
| 17. | Tune Talk | Provision of services for sales of travellers sim cards | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| 18. | Notel Management Sdn. Bhd. [Company No.: 200601016858 (736610-U)] ("Notel Management") | Provision of advertisement services on Capital A's Wifi portal | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |
| 19. | AAX | Provision of the following shared services by AirAsia SEA to AAX:<br><br>a) Finance and accounting support operation services;<br>b) People department support operation services;<br>c) Information and technology operation support services<br>d) Refunds, and<br>e) Customer Support | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | RM684,000 |
| 20. | Epsom College Malaysia Sdn. Bhd. [Registration No.: 201001006063 (890682-X)] ("Epsom") | Service Agreements for AirAsia Com Travel Sdn. Bhd. [Registration No.: 201301020508 (1050338- A)] ("AirAsia. Com") to provide services related to managing digital media activities for Epsom | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | RM41,788 |
| 21. | TAAX | Supply of in-flight entertainment system, hardware, software, content and updates by Rokki | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | Nil |
| 22. | TAAX | Provision of the following shared services by AirAsia SEA TH/IHQ and AirAsia to TAAX:<br><br>a) Finance and accounting support operation services;<br>b) People department support operation services;<br>c) Information and technology operation support services;<br>d) Customer support; and<br>d) Refund services | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | RM681,936 |
| 23. | TAAX | Information Technology System and Security Services provided by AAB to TAAX | **Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin | RM1,725,972 |

# Additional Compliance Information *(cont'd.)*

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| 24. | TPBG | Service Agreements between AirAsia.Com and TPGB to provide services related to managing digital media activities to TPGB | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin<br>Dato' Khadar Merican | Nil |
| 25. | Tune Talk | Service Agreements between AirAsia.Com and Tune Talk to provide services related to managing digital media activities to Tune Talk. | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 26. | ECML Hotels | Service Agreements between AirAsia.Com and ECML Hotels to provide services related to managing digital media activities to ECML Hotels | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | RM41,014 |
| **Expenses** | | | | |
| 27. | AAX | Provision of lounge services to the Company's passengers by subscribing to the AirAsia Premium Lounge operated by AAX | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 28. | AAX | Purchase of AAX's cargo transportation capacity on routes operated by AAX | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | RM152,184,036 (USD36,326,525) |

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| 29. | AAX | Redemption of loyalty points when Big members use the loyalty points accumulated under the Big Loyalty Programme operated and managed by BIGLIFE for AAX flights and other ancillary products and services | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 30. | Notel Management | Receipt of accommodation services for Capital A and/or its affiliates and/or its guests at corporate rate | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 31. | TAAX | Purchase of TAAX's cargo transportation capacity on routes operated by TAAX | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 32. | TAAX | Redemption of loyalty points when Big members use the loyalty points accumulated under the Big Loyalty Programme operated and managed by BIGLIFE for TAAX flights and other ancillary products and services | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 33. | AAX | Provision of ground handling services at Taoyuan International Airport | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |
| 34. | Notel Management | The contract for this RRPT was signed between Notel Management and AirAsia SEA for the provision of hotel services to Capital A Group provided by Notel Management as hotel operator that manages hotels on behalf of the following entities that directly invoice the respective entities of Capital A Group:-<br><br>1. OHG Services; and<br>2. ECML Hotels. | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | RM476,022 |

# Additional Compliance Information *(cont'd.)*

| No. | Transacting Parties | Nature of RRPT | Class and relationship of the Related Parties | Actual value |
|---|---|---|---|---|
| 35. | TPGB | To participate in the BIG Loyalty Programme as a merchant partner to purchase BIG Points from BIGLIFE for the purposes of awarding it to TPGB's subscribers | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | RM15,590 |
| 36. | Tune Talk | Subscription to Sim Card by Rokki | **Interested Directors and Major Shareholders**<br>Tan Sri Tony<br>Datuk Kamarudin | Nil |

The shareholdings of the interested Directors and interested Major Shareholders in the Company as of 31 December 2021 were are as follows:

| | <------------ Direct ----------> | | <---------- Indirect ---------> | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| **Interested Directors** | | | | |
| Tan Sri Tony Fernandes | 1,600,000(1) | 0.04 | 1,025,485,082(3) | 26.31 |
| Datuk Kamarudin Meranun | 2,000,000(2) | 0.05 | 1,025,485,082(3) | 26.31 |
| Dato' Khadar Merican | 100,000 | 0.00 | - | - |
| | | | | |
| **Interested Major Shareholders** | | | | |
| Tune Air Sdn. Bhd. | 516,485,082(4) | 13.25 | - | - |
| Tune Live Sdn. Bhd. | 509,000,000(5) | 13.06 | | |

***Note:***

*1. Shares held under HSBC Nominees (Tempatan) Sdn. Bhd. for Tan Sri Tony.*

*2. Shares held under HSBC Nominees (Tempatan) Sdn. Bhd. for Datuk Kamarudin.*

*3. Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Tune Live Sdn. Bhd and Tune Air Sdn. Bhd..*

*4. Shares held under HSBC Nominees (Tempatan) Sdn. Bhd. for Tune Air Sdn. Bhd.*

*5. Shares held under RHB Capital Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn. Bhd. for Tune Live Sdn. Bhd.*

| | <---------Direct ---------> | <---------- Indirect --------> |
|---|---|---|
| | No. of RCUIDS | No. of RCUIDS |
| **Interested Directors** | | |
| Tan Sri Tony Fernandes | - | 343,028,359# |
| Datuk Kamarudin Meranun | - | 343,028,359# |
| Dato' Khadar Merican | 250,000 | - |

*# Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Sky Accord Sdn. Bhd.*

| | <---------Direct ---------> | <--------- Indirect ---------> |
|---|---|---|
| | No. of Warrants | No. of Warrants |
| **Interested Directors** | | |
| Tan Sri Tony Fernandes | - | 171,514,179# |
| Datuk Kamarudin Meranun | - | 171,514,179# |
| Dato' Khadar Merican | 50,000 | - |

*# Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Sky Accord Sdn. Bhd.*

Please refer to the note(s) in Section 2.3 of the Circular/Statement to shareholders dated 29 April 2022 on the directorships and shareholdings of the interested Directors and interested Major Shareholders in the transacting parties.

# Additional Compliance Information *(cont'd.)*

## 5. EMPLOYEES SHARE OPTION SCHEME ("ESOS")

The Company had established a long-term incentive scheme of up to 10% of the total number of issued shares of the Company on a fully diluted basis (excluding treasury shares, if any) for eligible employees and directors ("Eligible Employees") of Capital A and its subsidiaries (excluding dormant subsidiaries) ("Group") at any point of time throughout the duration of the ESOS. The ESOS was approved by the shareholders of the Company at an Extraordinary General Meeting held on 21 June 2021 and came into effect on 3 August 2021. It was the only share scheme of the Company in existence during the Financial Year. The details of the ESOS are as follows:

a) The total number of options granted, exercised and outstanding under the ESOS during the Financial Year is set out in the table below:

| | Number of Options | |
|---|---|---|
| **Description** | **All Eligible Employees of the Group** | **Executive Directors and Chief Executive of the Company** |
| No. of options granted | 159,400,000 | - |
| No. of options exercised | - | - |
| No. of options outstanding | 159,400,000 | - |

b) No options were granted to the Executive Directors of the Company under the ESOS since its commencement on 3 August 2021 up to 31 December 2021. Percentages of options applicable in regard to options or shares granted to the senior management of the Company under the ESOS are set out below:

| | Percentage | |
|---|---|---|
| **Senior management of the Company** | **During the Financial Year** | **Since commencement of the ESOS on 3 August 2021 up to 31 December 2021** |
| Aggregate maximum allocation | N/A | N/A |
| Actual options granted | 11.67% | 11.67% |

c) The Non-Executive Directors of the Company are not eligible to participate in the ESOS. As such, no options were granted to the Non-Executive Directors of the Company under the ESOS from its commencement on 3 August 2021 up to 31 December 2021.

# Financial Statements

# Directors' Report

for the financial year ended 31 December 2021

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 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are described in Note 12 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Loss net of tax | (3,720,775) | (63,698) |
| Loss net of tax attributable to: | | |
| Owners of the Company | (2,991,075) | (63,698) |
| Non-controlling interests | (729,700) | - |
| | (3,720,775) | (63,698) |

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, with exception to the socioeconomic effects of the COVID-19 pandemic which impacted the financial circumstances of the Group and of the Company, the results of the operations of the Group and of the Company during the financial year were otherwise not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of prior year. The directors do not recommend the payment of any dividend in respect of the current financial year.

## 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:

Datuk Kamarudin bin Meranun*
Tan Sri Anthony Francis Fernandes*
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Dato' Mohamed Khadar bin Merican
Dato' Fam Lee Ee
Surina binti Shukri *(Appointed on 31 January 2022)*
Stuart L Dean *(Resigned on 1 November 2021)*

* *These directors are also directors of the Company's subsidiaries.*

**DIRECTORS (CONT'D.)**

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:

Aaron Gomez
Adam Nicholas James Rhodes
Aireen Omar
Alejandro T. Yu
Anajuk Chareonwongsak
Anita Ler
Arifin Eko Prasetyo
Augustus Ralph Marshall
Carlo Emmanuel M/ Locsin
Cheah Yoke Yin
Chee Wei-Meng
Chandrasekar S/O Rathakrishnan
Colin Melville Kennedy Currie
Craig Matthews
Dato' Hisham bin Othman
Dato' Sreesanthan a/l Eliathamby
Dendy Kurniawan
Desiree Maxino Bandal
Dinesh Kumar M K R Nambiar
Dr. Chang Soonyoung
Francisco Edralin Lim
Goh Hui Loon
Hanim Hamzah
Ibnu Tryono
Ikhlas bin Kamarudin
Irwan Eka Sudarman
Jasmindar Kaur a/p Sarban Singh
Javed Anwar Malik
Joanna binti Ibrahim
John Paul V. De Leon
Joseph Omar A. Castillo
Karen Chan Ka Yan
Keith Lingam a/l Mahalingam
Kenneth Leong Yu Ming
Lalitha a/p Sivanesar
Leo Francis F. Abot
Lam Lo Sho Rose
Lee Teck Loong (Spencer)
Leon Ruben
Lim Hock Thye
Lim Serh Ghee
Ling Liong Tien
Liu Yew Lee Dennis Paul
Loh Jin Yong
Lye Kong Wei
Magandra Dass Haridas
Mahesh Kumar a/l Jaya Kumar
Mahisa Adhitya Rachman
Mark Xavier D. Oyales
Mihai-Gabriel Simionescu
Mitherpal Singh Sidhu
Monica Ann San Juan
Muhammad Hafiz bin Khairudin
Natacha Sabrina Kong Hung Cheong
Natasha binti Kamaluddin
Nguyen Thi Bich Lien
Nipun Anand
Norza bin Zakaria
Olivier Petra
Omar Salim-Dhanani
Pablo Sanz Salcedo
Pattra Boosarawongse
Priyanka Jain
Rahul Agarwal
Raymund C. Berja
Riad Asmat
Ricardo P. Isla
Richard Montgomery Beattie
Roisin Dixon
Ronald D. Policarpio
Rossana Gracia M. Dela Cruz
Rozman bin Omar
Rudy Effendi Daulay
Sami Joseph El Hadery
Saumarjyoti Choudhury
Severino Miguel. B Sanchez
Sheila Marie B. Romero
Sim Siew Shan
Subashini a/p Silvadas @ Silvadar
Suvabha Charoenying
Suhnylla Kaur Kler
Tan Sri Jamaludin bin Ibrahim
Tay Tuan Leng
Tassapon Bijleveld
Teh Mun Hui
Teoh Hooi Ling
Tharumalingam a/l Kanagalingam
Tommy Lo Seen Chong
V Loganathan S/O Velaitham
Veranita Yosephine
Wang Wenju
Wee Choo Peng
Woo Wai Han
Wuri Septiawan
Ybhg Tan Sri Dato' Sri (Dr.)
Mohamad Norza bin Zakaria

The directors and officers of the Group and of the Company are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of RM20,000,000 against any legal liability, if incurred by the directors and officers of the Group and of the Company in the discharge of their duties while holding office for the Company and its subsidiaries.

**DIRECTORS' BENEFITS**

During and at the end of the financial year ended 31 December 2021, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of prior year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 5(b) and Note 5(c) to the financial statements.

# Directors' Report (cont'd.)

for the financial year ended 31 December 2021

## DIRECTORS' INTERESTS

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

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | As at 1.1.2021 | Acquired | Disposed | As at 31.12.2021 |
| **Direct interests in the Company** | | | | |
| Datuk Kamarudin bin Meranun[2] | 2,000,000 | - | - | 2,000,000 |
| Tan Sri Anthony Francis Fernandes[2] | 1,600,000 | - | - | 1,600,000 |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | 989,500 | - | - | 989,500 |
| Dato' Mohamed Khadar bin Merican | 250,000 | - | - | 250,000 |
| **Indirect interests in the Company** | | | | |
| Tan Sri Anthony Francis Fernandes[1] | 1,025,485,082 | - | - | 1,025,485,082 |
| Datuk Kamarudin bin Meranun[1] | 1,025,485,082 | - | - | 1,025,485,082 |

| | Number of redeemable convertible unsecured islamic debt securities ("RCUIDS") | | | |
|---|---|---|---|---|
| | As at 1.1.2021 | Acquired# | Disposed | As at 31.12.2021 |
| **Direct interests** | | | | |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | - | 329,833 | - | 329,833 |
| Dato' Mohamed Khadar bin Merican | - | 100,000 | - | 100,000 |
| **Indirect interests^** | | | | |
| Tan Sri Anthony Francis Fernandes | - | 343,028,359 | - | 343,028,359 |
| Datuk Kamarudin bin Meranun | - | 343,028,359 | - | 343,028,359 |

| | Number of Warrants | | | |
|---|---|---|---|---|
| | As at 1.1.2021 | Acquired# | Disposed | As at 31.12.2021 |
| **Direct interests** | | | | |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | - | 164,916 | - | 164,916 |
| Dato' Mohamed Khadar bin Merican | - | 50,000 | - | 50,000 |
| **Indirect interests^** | | | | |
| Tan Sri Anthony Francis Fernandes | - | 171,514,179 | - | 171,514,179 |
| Datuk Kamarudin bin Meranun | - | 171,514,179 | - | 171,514,179 |

*1 By virtue of their interests in shares of more than 20% in the substantial shareholders of the Company, Tune Air Sdn. Bhd.[2] ("TASB") and Tune Live Sdn. Bhd.[3] ("TLSB"). Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are deemed to have interests in the Company to the extent of TASB's and TLSB's interests therein, in accordance with Section 8 of the Companies Act 2016*
*2 Shares held under HSBC Nominees (Tempatan) Sdn. Bhd. for TASB*
*3 Shares held under RHB Capital Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn. Bhd. for TLSB*
*^ Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Sky Accord Sdn. Bhd.*
*# Allotment of RCUIDS pursuant to the Rights Issue of RCUIDS together with Free Detachable Warrants on 29 December 2021*

Other than as disclosed above, none of the other directors in office at the end of the financial year held any interest in shares or debentures of the Company and its related corporations during the financial year.

## ISSUE OF SHARES AND REDEEMABLE CONVERTIBLE UNSECURED ISLAMIC DEBT SECURITIES ("RCUIDS")

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM8,023,268,000 to RM8,457,172,000 by way of the:

(i) Issuance of 369,846,852 new ordinary shares at RM0.675 per share as part of the first tranche of private placement amounting to RM249,646,625 on 18 February 2021 for working capital purposes, as disclosed in Note 31(i).

(ii) Issuance of 100,367,362 new ordinary shares at RM0.865 per share as part of the second tranche of private placement amounting to RM86,817,768 on 16 March 2021 for working capital purposes, as disclosed in Note 31(i).

(iii) Issuance of 85,864,583 new ordinary shares at RM1.20 per share as part of the purchase consideration for the remaining 20% equity stake in BIGLIFE Sdn Bhd amounting to RM103,037,500 as disclosed in Note 31(ii).

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

On 31 December 2021, the Company completed the renounceable rights issue ("Rights Issue") of RM974,513,219 in nominal value of 7-year redeemable convertible unsecured islamic debt securities ("RCUIDS") at nominal value of RM0.75 each based on the Shariah principal of Murabahah (via "Tawarruq Arrangement") comprising 1,299,350,959 RCUIDS together with 649,675,479 free detachable warrants ("Warrants") on the basis of 2 RCUIDS with 1 warrant for every 6 ordinary shares in the Company following the listing and quotation on the Main Market of Bursa Securities. The Rights Issue is constituted by a trust deed dated 18 November 2021. Further details are as disclosed in Note 28.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year other than the issue of options pursuant to the Long Term Incentive Scheme ("LTIS") which is governed by LTIS By-Laws and RCUIDS with free detachable warrants.

*LTIS*

At an Extraordinary General Meeting held on 21 June 2021, the Company's shareholders approved the establishment of LTIS which comprise the Employee Share Option Scheme ("ESOS") and Share Grant Scheme. On 3 August 2021, the Company granted 159,400,000 ESOS to selected certain eligible employees and directors of the Group. The salient features and other details of the ESOS are disclosed in Note 32 to the financial statements.

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2021 are as follows:

| Expiry date | Exercise price (RM) | Options |
|---|---|---|
| 1 August 2027 | 0.7425 | 151,600,000 |

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the income statements, statements of comprehensive income and statements of financial position 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

   (i) the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

# *Directors' Report (cont'd.)*

for the financial year ended 31 December 2021

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D.)

(c) At the date of this report, the directors are aware of the COVID-19 pandemic, which may have an impact on certain values attributed to current assets and valuation methods adopted by the Group and the Company.

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

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

(i) any charge on the assets of the Group or 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 of the Group or 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 or of the Company to meet their obligations when they fall due; and

(ii) with exception of the socio economic effects of the COVID-19 pandemic which impacted the financial circumstances of the Group and of the Company, the results of the Group and of the Company during the financial year were otherwise not substantially affected by any item, transaction or event of a material and unusual nature.

(g) Note 45 to the financial statements discussed management's steps to address the current impact of the COVID-19 pandemic. The Board of Directors is confident that based on the working capital management and funding plans, the Group will be in good stead to weather the current challenging environment.

## SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 42 to the financial statements.

## AUDITORS

Auditors' remuneration are disclosed in Note 6 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 (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the board of directors dated 29 April 2022.

**Datuk Kamarudin bin Meranun**

**Tan Sri Anthony Francis Fernandes**

# Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Kamarudin bin Meranun and Tan Sri Anthony Francis Fernandes, being two of the Directors of Capital A Berhad (formerly known as AirAsia Group Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 209 to 315 are drawn up in accordance with the 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 2021 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2022.

**Datuk Kamarudin bin Meranun**

**Tan Sri Anthony Francis Fernandes**

# Statutory Declaration

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

I, Tan Sri Anthony Francis Fernandes, being the Director primarily responsible for the financial management of Capital A Berhad (formerly known as AirAsia Group Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 209 to 315 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 Tan Sri Anthony Francis Fernandes
at Kuala Lumpur in Malaysia
on 29 April 2022

**Tan Sri Anthony Francis Fernandes**

Before me,

Commissioner for Oaths
Kuala Lumpur

# Independent Auditors' Report

to the members of Capital A Berhad (formely known as AirAsia Group Berhad) (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

*Opinion*

We have audited the financial statements of Capital A Berhad (formerly known as AirAsia Group Berhad), which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 209 to 315.

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 2021, 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 opinion.

*Independence and other ethical responsibilities*

We are independent of the Group and of the 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.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

| Going concern assessment | Our response |
|---|---|
| The COVID-19 pandemic and the resulting measures taken by governments of countries around the world have negatively affected the global aviation industry. The recent Russia and Ukraine conflict and its resulting impact on the volatility of oil and gas prices has also imposed additional challenges to the global aviation industry. All these events have impacted and continue to impact the Group's financial position, financial performance and cash flows. | In addressing this area of audit focus, we performed amongst others, the following procedures:<br>• We had discussions with the Directors to understand their plans to respond to the evolving business environment;<br>• We read the material lease agreements to obtain understanding of the renegotiated terms of lease agreements for the Group's aircraft; |

*Key Audit Matters (cont'd.)*

| Going concern assessment (cont'd.) | Our response (cont'd.) |
|---|---|
| The Group and the Company reported loss for the year of RM3,721 million and RM64 million respectively for the financial year ended 31 December 2021, as well as net operating cash outflows of RM678 million and RM966 million respectively. As at 31 December 2021, the Group's current liabilities exceeded the current assets by RM6,754 million. In addition, as at 31 December 2021, the Group reported negative shareholders' funds of RM3,382 million.<br><br>As disclosed in Note 2.1 to the financial statements, the Directors have prepared cash flow forecast as part of the assessment of whether the Group and the Company will be able to continue as a going concern. The going concern assessment was highly subjective as it is largely based on expectations of, and estimates made by the Directors which can be influenced by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Critical to the going concern assessment are the Directors' expectations of recovery in passenger numbers following the re-opening of domestic and international borders, the volatility of major operating costs and the continuous support from the aircraft lessors. Accordingly, we identified going concern assessment as an area requiring audit focus. | In addressing this area of audit focus, we performed amongst others, the following procedures: (cont'd.)<br><br>• As disclosed in Note 2.1 to the financial statements, whilst the successful renegotiation of terms with lessors have significantly improved the cost and cash flow management of the Group, the Group requires the continuous support from its lessors to allow flexibilities in terms of payments of the lease rentals until such time the Group reaches a tenable level of operation. To this end, the lessors have been very supportive of the Group since the onset of the COVID-19 pandemic. On this basis, the Directors believe that the Group will continue to receive support from its lessors. We corroborated this expectation by reviewing the correspondences between the Group and the lessors as well as performing enquiries with the major aircraft lessors.<br><br>• We evaluated the evidence to corroborate the commitment provided by certain shareholders of the Group to maintain the sustainability of the Group's operations;<br><br>• We evaluated the estimates made by the Directors in respect of revenue forecasts against the International Air Transport Association's forecast trajectory for the recovery in passenger numbers from COVID-19; and<br><br>• We evaluated the estimates made by the Directors in respect of major operating costs such as fuel costs, salaries and aircraft maintenance against the Group's business plans, historical results and external data on the expectation of future prices. |

| Impairment assessment of non-financial assets | Our response (cont'd.) |
|---|---|
| **a) Impairment assessment of right-of-use assets ("ROUA") and property, plant and equipment ("PPE")**<br><br>Refer to Note 3.1, Note 11 and Note 29 to the financial statements.<br><br>At 31 December 2021, the carrying amount of ROUA and PPE of the Group are RM9,751 million and RM933 million, respectively.<br><br>The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.<br><br>The COVID-19 pandemic has resulted in significant losses and a significant amount of economic uncertainty in the current and future economic environment in which the Group operates. The Group's current and near-term cashflows have been negatively impacted due to global travel restrictions and the resultant global decrease in travel demand. The duration and severity of the crisis is dependent on events which are continuously unfolding and are beyond the control of the Group. | In addressing this area of audit focus, our audit procedures included, amongst others:<br><br>• Held discussions with senior management to understand the basis of the assumptions used in forming the estimates underpinning the assessment of the recoverable amount of the CGUs. These estimates include those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates;<br><br>• Assessed the key assumptions on which the cash flow projections are based, including, and where relevant, comparing them against financial and non-financial historical trends. We also referred to publicly available aviation industry reports relating to the impact COVID-19 pandemic has on global passenger demand, as well as local regulatory requirements and developments in the various jurisdictions that the Group operates in to gauge the possible timing of recovery; |

# Independent Auditors' Report (cont'd.)

to the members of Capital A Berhad (formely known as AirAsia Group Berhad) (Incorporated in Malaysia)

*Key Audit Matters (cont'd.)*

| Impairment assessment of non-financial assets (cont'd.) | Our response (cont'd.) |
|---|---|
| **a) Impairment assessment of right-of-use assets ("ROUA") and property, plant and equipment ("PPE") (cont'd.)**<br><br>As a result, there is a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery. The estimates and assumptions used in the cash flow projections which form the basis of the recoverable amounts attributable to the CGUs require significant judgement. These judgements require estimates to be made over areas including those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates.<br><br>As the impairment assessment involves estimation and judgement arising from the above factors, this is a key area of focus for our audit. | In addressing this area of audit focus, our audit procedures included, amongst others:<br><br>• Assessed the arithmetical accuracy of the computations used in assessing the recoverable amount of the CGUs;<br><br>• Involved internal specialists to assess the appropriateness of the discount rates applied in the respective discounted cash flow projections; and<br><br>• Evaluated the adequacy of the Group's disclosures of key assumptions used in estimations. |
| | |

| Impairment assessment of non-financial assets (cont'd.) | Our response (cont'd.) |
|---|---|
| **b) Impairment assessment of intangible assets**<br><br>Refer to Note 3.5 and Note 16 to the financial statements.<br><br>The Group is required to perform annual impairment test of cash generating units (CGUs) to which intangible assets have been allocated. The Group estimated the recoverable amount of its CGUs based on the value-in-use ("VIU") model. Estimating the VIU of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate.<br><br>Included in the Group's intangible assets as at 31 December 2021 are:<br><br>(a) goodwill amounted to RM103 million arising from step-up acquisition of BIGLIFE Sdn Bhd;<br><br>(b) goodwill arising from consolidation of PT Indonesia AirAsia ("IAA") amounted to RM38 million;<br><br>(c) provisional goodwill arising from consolidation of Velox Technology (Thailand) Company Limited ("Velox") amounted to RM161 million; and<br><br>(d) landing rights arising from consolidation of IAA and AirAsia Inc ("PAA") amounted to RM375 million and RM69 million, respectively.<br><br>We focused on the impairment assessment of the intangible assets due to the magnitude of the balance and the subjectivity involved. Specifically, we focused on the assumptions applied in respect of revenue growth, cost escalation rates, terminal value and discount rates. | |

*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 information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the 2021 annual report, which is expected to be made available to us after the date of this auditors' report.

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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

*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 intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism 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 of 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.

# *Independent Auditors' Report (cont'd.)*

to the members of Capital A Berhad (formely known as AirAsia Group Berhad) (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 judgment and maintain professional skepticism throughout the audit. We also: (cont'd.)

- 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 and of 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 and 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 and 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.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (cont'd.)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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 12 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

**Lim Eng Hoe**
No. 03403/12/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 April 2022

# Income Statements

for the financial year ended 31 December 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 Restated | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| Revenue | 4(a) | 1,836,186 | 3,274,399 | – | – |
| Other income | 4(b) | 111,704 | 342,718 | 92 | 3,774 |
| Operating expenses | | | | | |
| - Staff costs | 5(a) | (795,638) | (1,166,181) | (35,847) | (14,095) |
| - Depreciation of property, plant and equipment | 11 | (164,685) | (150,920) | – | – |
| - Depreciation of right-of-use assets | 29 | (1,655,887) | (1,922,078) | – | – |
| - Aircraft fuel expenses | 7(a) | (393,941) | (1,962,679) | – | – |
| - Maintenance and overhaul | 7(b) | (480,619) | (533,746) | – | – |
| - User charges | 7(c) | (760,537) | (703,567) | – | – |
| - Other operating expenses | 6 | (542,192) | (2,600,200) | (22,946) | (247,647) |
| Operating loss | | (2,845,609) | (5,422,254) | (58,701) | (257,968) |
| Finance income | 8(a) | 35,314 | 115,944 | 40 | 298 |
| Finance costs | 8(b) | (679,807) | (713,651) | (1) | (2) |
| Net operating loss | | (3,490,102) | (6,019,961) | (58,662) | (257,672) |
| Foreign exchange (losses)/gains | 8(c) | (71,084) | 444,763 | (5,186) | 533 |
| Net fair value gains/(losses) on derivatives | 8(d) | 31,377 | (141,953) | – | – |
| Gain on disposal of investment in an associate | 14 | – | 152,911 | – | – |
| Fair value of retained interest in a previous associate | 14 | – | 76,456 | – | – |
| Share of results of joint ventures | | (453) | (693) | – | – |
| Share of results of associates | | (44,774) | (62,822) | – | – |
| Loss before taxation | | (3,575,036) | (5,551,299) | (63,848) | (257,139) |
| Taxation | | | | | |
| - Current taxation | 9 | (4,974) | (17,803) | 150 | (4,461) |
| - Deferred taxation | 9 | (140,765) | (318,826) | – | – |
| | | (145,739) | (336,629) | 150 | (4,461) |
| Net loss for the financial year | | (3,720,775) | (5,887,928) | (63,698) | (261,600) |
| Net loss for the financial year attributable to: | | | | | |
| - Owners of the Company | | (2,991,075) | (5,111,667) | | |
| - Non-controlling interests | | (729,700) | (776,261) | | |
| | | (3,720,775) | (5,887,928) | | |
| Loss per share attributable to owners of the Company (sen) | | | | | |
| - Basic | 10 | (79.0) | (153.0) | | |
| - Diluted | 10 | (79.0) | (153.0) | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Comprehensive Income

for the financial year ended 31 December 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| Net loss for the financial year | | (3,720,775) | (5,887,928) | (63,698) | (261,600) |
| **Other comprehensive (loss)/income** | | | | | |
| *Items that may be subsequently reclassified to profit or loss* | | | | | |
| Cash flow hedges | | 42,009 | (74,075) | – | – |
| Share of other comprehensive loss of an associate | | – | (68,499) | – | – |
| Foreign currency translation differences | | (61,061) | (221,167) | – | – |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | | (19,052) | (363,741) | – | – |
| *Items that will not be subsequently reclassified to profit or loss* | | | | | |
| Remeasurement gain/(loss) on employee benefits liability, net of tax | | 12,776 | (19,591) | – | – |
| Net movement on investment securities | 15 | 102,805 | (209,274) | 109,114 | (142,246) |
| Net other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods | | 115,581 | (228,865) | 109,114 | (142,246) |
| Other comprehensive income/(loss) for the financial year, net of tax | | 96,529 | (592,606) | 109,114 | (142,246) |
| Total comprehensive loss for the financial year | | (3,624,246) | (6,480,534) | 45,416 | (403,846) |
| Total comprehensive loss attributable to: | | | | | |
| - Owners of the Company | | (2,911,298) | (5,712,617) | | |
| - Non-controlling interests | | (712,948) | (767,917) | | |
| | | (3,624,246) | (6,480,534) | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position

as at 31 December 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 Restated | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 933,474 | 1,085,639 | – | – |
| Right-of-use assets | 29 | 9,750,711 | 9,444,946 | – | – |
| Finance lease receivables | 29 | 266,233 | 505,499 | – | – |
| Investment in subsidiaries | 12 | – | – | 8,544,641 | 8,295,541 |
| Investment in a joint venture | 13 | 878 | 1,332 | – | – |
| Investment in associates | 14 | 438,004 | 482,754 | – | – |
| Investment securities | 15 | 243,323 | 472,719 | – | 175,291 |
| Intangible assets | 16 | 833,450 | 640,553 | – | – |
| Deferred tax assets | 17 | 738,760 | 774,155 | – | – |
| Receivables and prepayments | 18 | 3,599,414 | 3,106,941 | – | – |
| Deposits on aircraft purchase | 19 | 610,489 | 590,179 | – | – |
| Derivative financial instruments | 20 | 165,397 | – | 165,397 | – |
| | | 17,580,133 | 17,104,717 | 8,710,038 | 8,470,832 |
| **Current assets** | | | | | |
| Inventories | 21 | 153,600 | 141,421 | – | – |
| Receivables and prepayments | 18 | 608,405 | 1,105,069 | 80 | 18 |
| Finance lease receivables | 29 | 224,144 | 432,666 | – | – |
| Derivative financial instruments | 20 | – | 77,808 | – | – |
| Amount due from subsidiaries | 22 | – | – | 1,091,879 | 545,558 |
| Amounts due from associates | 23 | 67,285 | 360,385 | 10,260 | – |
| Amounts due from related parties | 24 | 134,153 | 107,047 | 1,150 | 637 |
| Tax recoverable | | 5,408 | 3,442 | 150 | – |
| Deposits, cash and bank balances | 25 | 1,256,753 | 533,278 | 561,887 | 859 |
| | | 2,449,748 | 2,761,116 | 1,665,406 | 547,072 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position (cont'd.)

as at 31 December 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 Restated | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Less: Current liabilities** | | | | | |
| Trade and other payables | 26 | 2,308,897 | 2,508,900 | 7,666 | 7,209 |
| Aircraft maintenance provisions and liabilities | 27 | 976,633 | 711,764 | - | - |
| Sales in advance | | 930,510 | 933,376 | - | - |
| Amounts due to subsidiaries | 22 | - | - | 213,099 | 462,178 |
| Amounts due to associates | 23 | 43,297 | 35,907 | - | - |
| Amounts due to related parties | 24 | 129,717 | 49,923 | - | - |
| Borrowings | 28 | 887,228 | 1,016,312 | - | - |
| Lease liabilities | 29 | 3,905,769 | 3,247,138 | - | - |
| Tax payables | | 21,873 | 25,629 | - | 1,627 |
| Derivative financial instruments | 20 | - | 134,655 | - | - |
| | | 9,203,924 | 8,663,604 | 220,765 | 471,014 |
| **Net current (liabilities)/assets** | | (6,754,176) | (5,902,488) | 1,444,641 | 76,058 |
| **Non-current liabilities** | | | | | |
| Other payables | 26 | 292,691 | 273,455 | - | - |
| Aircraft maintenance provisions and liabilities | 27 | 4,860,637 | 4,857,292 | - | - |
| Deferred tax liabilities | 17 | 169,477 | 18,132 | 32,892 | - |
| Borrowings | 28 | 1,422,661 | 272,557 | 822,437 | - |
| Lease liabilities | 29 | 10,389,525 | 9,188,102 | - | - |
| Derivative financial instruments | 20 | 32,785 | 64,818 | - | - |
| Provision for retirement benefits | 30 | 81,084 | 97,667 | - | - |
| | | 17,248,860 | 14,772,023 | 855,329 | - |
| | | (6,422,903) | (3,569,794) | 9,299,350 | 8,546,890 |
| **Capital and reserves** | | | | | |
| Share capital | 31 | 8,457,172 | 8,023,268 | 8,457,172 | 8,023,268 |
| Merger deficit | 33 | (5,507,594) | (5,507,594) | - | - |
| Foreign exchange reserve | | (118,439) | (57,378) | - | - |
| (Accumulated losses)/retained earnings | | (6,374,760) | (3,447,215) | 569,038 | 605,523 |
| Reserves | 34 | 161,321 | (225,368) | 273,140 | (81,901) |
| Total shareholders' (deficit)/funds | | (3,382,300) | (1,214,287) | 9,299,350 | 8,546,890 |
| Non-controlling interests | 12 | (3,040,603) | (2,355,507) | - | - |
| Total equity | | (6,422,903) | (3,569,794) | 9,299,350 | 8,546,890 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2021

| | | <-- Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | <-- Non-distributable | | | | | | | | | | |
| | Number of shares '000 | Share capital RM'000 (Note 31) | Merger deficit RM'000 (Note 33) | Foreign exchange reserve RM'000 (Note 34) | Share option reserves RM'000 (Note 34) | RCUIDS reserves RM'000 (Note 34) | Warrants reserves RM'000 (Note 34) | Other reserves RM'000 (Note 34) | Accumulated losses RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **At 1 January 2021** | 3,341,974 | 8,023,268 | (5,507,594) | (57,378) | - | - | - | (225,368) | (3,447,215) | (1,214,287) | (2,355,507) | (3,569,794) |
| Net loss for the financial year | - | - | - | - | | - | - | - | (2,991,075) | (2,991,075) | (729,700) | (3,720,775) |
| Other comprehensive (loss)/income | - | - | - | (61,061) | | - | - | 140,838 | - | 79,777 | 16,752 | 96,529 |
| Total comprehensive loss | - | - | - | (61,061) | - | - | - | 140,838 | (2,991,075) | (2,911,298) | (712,948) | (3,624,246) |
| Issuance of shares | 556,079 | 433,904 | - | - | - | - | - | | - | 433,904 | - | 433,904 |
| Issuance of RCUIDS | - | - | - | - | - | 154,360 | 112,736 | - | - | 267,096 | - | 267,096 |
| Dilution of interest in subsidiaries | - | - | - | - | - | - | - | - | 145,008 | 145,008 | 22,199 | 167,207 |
| Acquisition of non-controlling interest in a subsidiary | - | - | - | - | - | - | - | - | (108,691) | (108,691) | 5,653 | (103,038) |
| Transfer of fair value reserve of disposed investment securities to retained earnings | - | - | - | - | - | - | - | (27,213) | 27,213 | - | - | - |
| Share-based payment | - | - | - | - | 5,968 | - | - | - | - | 5,968 | - | 5,968 |
| **At 31 December 2021** | 3,898,053 | 8,457,172 | (5,507,594) | (118,439) | 5,968 | 154,360 | 112,736 | (111,743) | (6,374,760) | (3,382,300) | (3,040,603) | (6,422,903) |
| **At 1 January 2020** | 3,341,974 | 8,023,268 | (5,507,594) | 171,137 | - | - | - | 147,067 | 1,664,452 | 4,498,330 | (1,587,590) | 2,910,740 |
| Net loss for the financial year | - | - | - | - | - | - | - | - | (5,111,667) | (5,111,667) | (776,261) | (5,887,928) |
| Other comprehensive (loss)/income | - | - | - | (228,515) | - | - | - | (372,435) | - | (600,950) | 8,344 | (592,606) |
| Total comprehensive loss | - | - | - | (228,515) | - | - | - | (372,435) | (5,111,667) | (5,712,617) | (767,917) | (6,480,534) |
| **At 31 December 2020** | 3,341,974 | 8,023,268 | (5,507,594) | (57,378) | - | - | - | (225,368) | (3,447,215) | (1,214,287) | (2,355,507) | (3,569,794) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statement of Changes in Equity

for the financial year ended 31 December 2021

| | | <------ | Non-distributable | ------> | | | Distributable | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares '000 | Share capital RM'000 (Note 31) | Share option reserves RM'000 (Note 34) | RCUIDS reserves RM'000 (Note 34) | Warrants reserves RM'000 (Note 34) | Fair value reserve RM'000 (Note 34) | Retained earnings RM'000 | Total equity RM'000 |
| **At 1 January 2021** | 3,341,974 | 8,023,268 | - | - | - | (81,901) | 605,523 | 8,546,890 |
| Net loss for the financial year | - | - | - | - | - | - | (63,698) | (63,698) |
| Other comprehensive gain | - | - | - | - | - | 109,114 | - | 109,114 |
| Total comprehensive gain/(loss) | - | - | - | - | - | 109,114 | (63,698) | 45,416 |
| Transfer of fair value reserve of disposed investment securities to retained earnings | - | - | - | - | - | (27,213) | 27,213 | - |
| Issuance of shares | 556,079 | 433,904 | - | - | - | - | - | 433,904 |
| Issuance of RCUIDS | - | - | - | 154,360 | 112,736 | - | - | 267,096 |
| Share-based payments | - | - | 6,044 | - | - | - | - | 6,044 |
| **At 31 December 2021** | 3,898,053 | 8,457,172 | 6,044 | 154,360 | 112,736 | - | 569,038 | 9,299,350 |
| **At 1 January 2020** | 3,341,974 | 8,023,268 | - | - | - | 60,345 | 867,123 | 8,950,736 |
| Net loss for the financial year | - | - | - | - | - | - | (261,600) | (261,600) |
| Other comprehensive loss | - | - | - | - | - | (142,246) | - | (142,246) |
| Total comprehensive loss | - | - | - | - | - | (142,246) | (261,600) | (403,846) |
| **At 31 December 2020** | 3,341,974 | 8,023,268 | - | - | - | (81,901) | 605,523 | 8,546,890 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Cash Flow

for the financial year ended 31 December 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss before taxation | | (3,575,036) | (5,551,299) | (63,848) | (257,139) |
| Adjustments for: | | | | | |
| Property, plant and equipment | | | | | |
| - depreciation | 11 | 164,685 | 150,920 | - | - |
| - gain on disposals | 4(b) | (32,921) | (184,139) | - | - |
| - write off | 11 | 313 | 5,588 | - | - |
| - impairment | 11 | - | 43,670 | - | - |
| Right-of-use assets | | | | | |
| - depreciation | 29 | 1,655,887 | 1,922,078 | - | - |
| - impairment | 29 | - | 552,290 | - | - |
| Loss on recognition of finance lease receivables | 29 | 41,187 | - | - | - |
| Amortisation of intangible assets | 16 | 975 | 282 | - | - |
| Impairment/(Reversal of impairment) on | | | | | |
| - trade and other receivables | 6 | 3,081 | 397,959 | - | - |
| - amounts due from associates | 6 | (4,883) | 264,071 | (269) | 213,710 |
| - amounts due from related parties | 6 | 14,293 | 615,578 | 637 | - |
| - investment in an associate | 14 | - | 59,272 | - | - |
| - finance lease receivables | 29 | 2,856 | 90,035 | - | - |
| - intangible assets | 16 | 5,094 | - | - | - |
| Share-based payments | | 5,968 | - | 38 | - |
| Dividend income from: | | | | | |
| - investment securities | 4(b) | - | (5,033) | - | (3,637) |
| Share of results of | | | | | |
| - joint ventures | | 453 | 693 | - | - |
| - associates | | 44,750 | 62,822 | - | - |
| Gain on disposal of investment in: | | | | | |
| - an associate | 14 | - | (152,912) | - | - |
| (Reversal)/provision for retirement benefits | | (3,429) | 16,209 | - | - |
| Aircraft maintenance provisions | 27 | 232,833 | 192,163 | - | - |
| Net fair value (gain)/losses on derivatives | 8(d) | (31,377) | 141,953 | - | - |
| Remeasurement gain on retained interest in a previous associate | | - | (76,456) | - | - |
| Net unrealised foreign exchange loss/(gain) | 8(c) | 49,996 | (436,255) | 7,184 | (2,300) |
| Operating loss | | (1,425,275) | (1,890,511) | (56,258) | (49,366) |
| Interest expense | 8(b) | 179,763 | 135,440 | 1 | 2 |
| Interest expense - lease liabilities | 8(b) | 500,044 | 578,211 | - | - |
| Interest income | 8(a) | (19,171) | (65,176) | (40) | (298) |
| Interest income - finance lease receivables | 8(a) | (16,143) | (50,768) | - | - |
| | | (780,782) | (1,292,804) | (56,297) | (49,662) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Cash Flow (cont'd.)

for the financial year ended 31 December 2021

| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities (cont'd.)** | | | | | |
| Changes in working capital: | | | | | |
| Inventories | | (12,179) | 6,969 | - | - |
| Receivables and prepayments | | 9,933 | 192,932 | (21) | 2,706 |
| Payables and provisions | | (142,227) | 250,994 | 471 | 5,371 |
| Sales in advance | | (2,897) | (234,200) | - | - |
| Amounts due from/to subsidiaries, associates, joint venture and related parties | | 356,619 | (1,016,999) | (908,788) | 54,008 |
| Cash (used in)/generated from operations | | (571,533) | (2,093,108) | (964,635) | 12,423 |
| Interest paid | | (93,917) | (58,707) | - | (2) |
| Interest received | | 1,456 | 10,908 | - | 298 |
| Taxes paid | | (4,580) | (25,298) | (1,627) | (2,834) |
| Retirement benefits paid | | (9,125) | (2,042) | - | - |
| **Net cash (used in)/generated from operating activities** | | (677,699) | (2,168,247) | (966,262) | 9,885 |
| **Cash flows from investing activities** | | | | | |
| Property, plant and equipment | | | | | |
| - additions | | (47,804) | (94,686) | - | - |
| - proceeds from disposals | | 81,209 | 277,313 | - | - |
| Addition in intangible assets | 16 | (2,327) | (5,811) | - | - |
| Net cash from investing activities | | 31,078 | 176,816 | - | - |
| Proceeds from disposal of: | | | | | |
| - an associate | 14 | - | 152,912 | - | - |
| - an investment security | 15 | 239,979 | - | 239,979 | - |
| Net changes: | | | | | |
| - deposits pledged as securities and restricted cash | | (11,440) | 18,998 | - | - |
| - deposits with licensed banks with maturity period of more than 3 months | | (9) | 9,450 | - | - |
| - investment securities | | 49,587 | (4,600) | - | (4,377) |
| Dividend received from: | | | | | |
| - investment securities | 4(b) | - | 3,637 | - | 3,637 |
| Acquisition of: | | | | | |
| - subsidiaries net of cash acquired | 12 | (22,598) | - | - | - |
| Additional subscription of shares in | | | | | |
| - subsidiaries | 12 | - | - | (322) | (49,412) |
| - a joint venture | 13 | - | (2,025) | - | - |
| Receipt of finance lease receivables | | 102,440 | 134,128 | - | - |
| **Net cash generated from/(used in) investing activities** | | 381,150 | 489,316 | 239,657 | (50,152) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

| | Note | Group 2021 RM'000 | Group 2020 RM'000 | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | |
| Proceeds from issuance of shares | | 336,464 | - | 336,464 | - |
| Proceeds from issuance of RCUIDS | | 974,513 | - | 974,513 | - |
| Proceeds from borrowings | | 771,334 | 604,585 | - | - |
| Repayment of borrowings | | (565,102) | (136,867) | - | - |
| Payment of lease liabilities | | (423,777) | (880,201) | - | - |
| Transaction costs on issuance of shares and RCUIDS | | (23,084) | - | (23,084) | - |
| **Net cash generated from/(used in) financing activities** | | 1,070,348 | (412,483) | 1,287,893 | - |
| **Net increase/(decrease) for the financial year** | | 773,799 | (2,091,414) | 561,288 | (40,267) |
| **Currency translation differences** | | (69,660) | 65,043 | (260) | - |
| **Cash and cash equivalents at beginning of the financial year** | | 465,905 | 2,492,276 | 859 | 41,126 |
| **Cash and cash equivalents at end of the financial year** | | 1,177,931 | 465,905 | 561,887 | 859 |

For the purposes of the cash flow statements, cash and cash equivalents include the following:

| | Note | Group 2021 RM'000 | Group 2020 RM'000 Restated | Company 2021 RM'000 | Company 2020 RM'000 |
|---|---|---|---|---|---|
| **Cash and cash equivalents at end of the financial year** | | 1,177,931 | 465,905 | 561,887 | 859 |
| Add: | | | | | |
| Deposits pledged as securities and restricted cash | | 77,745 | 66,305 | - | - |
| Deposits with licensed banks with maturity period of more than 3 months | | 1,077 | 1,068 | - | - |
| **Deposits, cash and bank balances at the end of the financial year** | 25 | 1,256,753 | 533,278 | 561,887 | 859 |

The deposits and restricted cash amounting to RM77.7 million (2020: RM66.3 million) are pledged as securities for banking facilities granted to the Group.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2021

## 1. GENERAL INFORMATION

Capital A Berhad ("Capital A" or "the Company") (formerly known as AirAsia Group Berhad) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad.

The address of the registered office and the principal place of business of the Company is as follows:

RedQ,
Jalan Pekeliling 5,
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2),
64000 KLIA, Selangor Darul Ehsan, Malaysia.

The principal activity of the Company is that of investment holding company. The principal activities of the subsidiaries are described in Note 12. There were no significant changes in the nature of these activities during the financial year.

On 27 January 2022, the shareholders of the Company approved the change of name from AirAsia Group Berhad to Capital A Berhad.

The financial statements were authorised for issue by the board of directors in accordance with resolution of the directors on 29 April 2022.

## 2. SUMMARY OF 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 convention, except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The COVID-19 pandemic and the resulting measures taken by governments of countries around the world have negatively affected the global aviation industry. The recent Russia and Ukraine conflict and its resulting impact on the volatility of oil and gas prices has also imposed additional challenges to the global aviation industry. All these events have impacted and continue to impact the Group's financial position, financial performance and cash flows.

The Group and the Company reported loss for the year of RM3,721 million and RM64 million respectively for the financial year ended 31 December 2021, as well as net operating cash outflows of RM678 million and RM966 million respectively. As at 31 December 2021, the Group's current liabilities exceeded the current assets by RM6,754 million. In addition, as at 31 December 2021, the Group reported negative shareholders' funds of RM3,382 million.

These conditions may affect the ability of the Group to meet its financial obligations as and when they fall due. The Group has undertaken several actions to mitigate this risk as disclosed in Note 45 to the financial statements.

This is based on the Directors' cash flow projections with major assumptions being the Directors' expectations of the recovery in passenger numbers arising from the resumption of domestic and international travel, the volatility of major operating costs and the continuous support of the Group's aircraft lessors. Whilst the successful renegotiation of terms with major lessors, as further disclosed in Note 45 to the financial statements, have significantly improved the cost and cash flow management of the Group, the Group requires the continuous support from its lessors to allow flexibility in terms of payments of lease rentals until such time the Group reaches a tenable level of operations. To this end, the lessors have been very supportive of the Group since the onset of the COVID-19 pandemic. The Directors believe that the Group will continue to receive support from its lessors.

Based on the cash flow forecast which incorporates the actions taken to date in response to the negative effects of COVID-19 and the expectations of continuous support from the aircraft lessors, together with the commitment provided by certain shareholders of the Group to maintain the sustainability of the Group's operations, the Directors concluded that there is no material uncertainty on the Group's and the Company's ability to continue as going concerns. The Directors have accordingly prepared the financial statements of the Group and the Company on a going concern basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Standards, amendments to published standards and interpretations that are effective

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2021:

- Amendments to MFRS 4 *Insurance Contracts* (Amendments to Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 7 *Financial Instruments Disclosures* (Amendments to Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 9 *Financial Instruments* (Amendments to Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16 *Leases* (Amendments to Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 139 *Recognition and Measurement* (Amendments to Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16 Leases (Amendments to COVID-19 Related Rent Concessions beyond 30 June 2021)

The adoption of these amendments did not have any material impact on the current period or any prior period except for the following:

The Group has also early adopted the Amendment to MFRS 16 Leases (COVID-19 Related Rent Concessions) issued by Malaysian Accounting Standards Board ("MASB") in April 2021, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 April 2021.

Under MFRS 16, rent concessions often meet the definition of a lease modification, unless they were envisaged in the original lease agreement. In response to the COVID-19 pandemic, MASB has issued Amendment to MFRS 16 Leases (COVID-19 Related Rent Concessions) that introduces an optional practical expedient to simplify how lessees account for rent concessions as a direct consequence of the COVID-19 pandemic.

The Group did not have any leases impacted by the amendment.

### 2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Annual Improvements to MFRS Standards 2018-2020 | 1 January 2022 |
| Amendments to MFRS 3 *Business Combinations:* Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 116 *Property, Plant and Equipment:* Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contract - Cost of Fulfilling a Contract | 1 January 2022 |
| MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 101 *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101 *Presentation of Financial Statements:* Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures:* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The directors of the Company expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Basis of consolidation

#### 2.4.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### 2.4.2 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

#### 2.4.3 Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Basis of consolidation (cont'd.)

#### 2.4.3 Joint arrangements (cont'd.)

The Group's interest in a joint venture is accounted for in the financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised. Where an entity loses joint control over a joint venture but retains significant influence, the Group does not remeasure its continued ownership interest at fair value.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 2.4.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted using the equity method of accounting together with any long-term interests that, in substance, form part of the Group's net investment in the associate. In this regard, a receivable for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the Group's investment in that associate.

This does not include receivables for which adequate collateral exists. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Basis of consolidation (cont'd.)

#### 2.4.5 Reverse acquisition of an asset or a group of assets that does not constitute a business

At the time of reverse acquisition, the Group considers whether each reverse acquisition represents the reverse acquisition of a business or the reverse acquisition of an asset. Where the assets acquired and liabilities assumed do not constitute a business as defined under MFRS 3, the transaction is accounted as an asset acquisition.

In such cases, the Group identifies and recognises the individual identifiable assets acquired (including intangible assets) and liabilities assumed. The cost of acquisition is allocated to the individual identifiable assets and liabilities based upon their relative fair value at the date of purchase, and no goodwill or deferred tax is recognised.

The legal subsidiary is regarded as the accounting acquirer while the legal parent is regarded as the accounting acquiree. The accounting acquirer is deemed to have issued equity shares as purchase consideration for the assets and liabilities of the accounting acquiree using the accounting principles of MFRS 2. The fair value of issued equity shares is determined based on the market value of the accounting acquiree which is represented by the quoted and trade price of its shares right before the reverse acquisition. The difference between the purchase consideration and the fair value of identifiable assets acquired and liabilities assumed will be recognised in the income statement as acquisition cost arising from the reverse acquisition.

#### 2.4.6 Internal reorganisation

Acquisition of entities under an internal reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company is a continuation of the acquired entities and is accounted for as follows:

(a) The results of entities are presented as if the internal reorganisation occurred from the beginning of the earliest period presented in the financial statements;

(b) The Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the internal reorganisation that would otherwise be done under the acquisition method; and

(c) No new goodwill is recognised as a result of the internal reorganisation. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve or deficit.

### 2.5 Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.20 on borrowing costs).

Where significant parts of an item of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts in the carrying amount of the property, plant and equipment as a replacement when it is probable that future economic benefits associated with the parts will flow to the Group and the cost of the parts can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.5 Property, plant and equipment (cont'd.)

Freehold land is not depreciated. Significant parts of other item of property, plant and equipment are depreciated separately over their estimated useful lives in accordance with the principle in MFRS 116 'Property, Plant and Equipment'. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives.

| | |
|---|---|
| Aircraft | |
| - engines, airframes and spare engines excluding service potential | 25 years |
| - service potential of engines | 8 years |
| - service potential of airframes | 13 years |
| - service potential of spare engines | 11 years |
| Aircraft spares | 10 years |
| Aircraft fixtures and fittings | Useful life of aircraft or remaining lease term of aircraft, whichever is shorter |
| Buildings | 28.75 years |
| Motor vehicles | 5 years |
| Office equipment, furniture and fittings | 5 years |
| Office renovation | 5 years |
| Simulator equipment | 25 years |
| Operating plant and ground equipment | 5 years |
| In-flight equipment | 5 years |
| Training equipment | 5 years |

Service potential of 8 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 8 years.

Service potential of 13 years for airframes represents the period over which the expected cost of the first major airframe check is depreciated. Subsequent to the airframe check, the actual cost incurred is capitalised and depreciated over the subsequent 13 years.

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use. Useful lives of assets are reviewed and adjusted if appropriate, at the balance sheet date.

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2021, the estimated residual value for aircraft airframes and engines excluding service potential is 10% of their cost (2020: 10% of their cost).

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential, reflecting the maintenance condition of its engines and airframes. This cost, which can equate to a substantial element of the total aircraft cost, is amortised over the shorter of the period to the next checks or the remaining life of the aircraft.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.8 on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

Deposits on aircraft purchase are recognised as deposits and subsequently included as part of the cost of the aircraft and are depreciated from the date that aircraft is ready for its intended use.

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.6 Intangible assets

#### 2.6.1 Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segment level.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### 2.6.2 Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

**(i) Research and development - internally developed software**

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and,
- the expenditure attributable to the intangible asset during its development can be reliably measured.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.6 Intangible assets (cont'd.)

#### 2.6.2 Other intangible assets (cont'd.)

**(i) Research and development - internally developed software (cont'd.)**

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life which is between 3 - 7 years.

**(ii) Landing rights**

Landing rights relate to traffic rights and landing slots for destinations operated by the Group's airline operating centres and are recorded at cost less any accumulated impairment losses. Landing rights are allocated to CGUs and are not amortised as they are considered to have an indefinite useful life and are tested annually for impairment.

### 2.7 Investments in subsidiaries, joint venture and associates

In the Company's separate financial statements, investments in subsidiaries is stated at cost less accumulated impairment losses.

Amounts due from associates of which the Company does not expect repayment in the foreseeable future are treated as part of the parent's net investment in associates. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2.8). On disposal of investments in subsidiaries, joint venture and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### 2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### 2.9 Maintenance and overhaul

**Owned aircraft**

The accounting for the cost of providing major airframe and certain engine maintenance checks for owned aircraft is described in accounting policy Note 2.5 on property, plant and equipment.

**Leased aircraft**

Where the Group has a commitment to maintain aircraft held under operating leases, provision is made during the lease term for the rectification obligations contained within the lease agreements. The provisions are based on estimated future costs of major maintenance checks and one-off costs incurred at the end of the lease by making appropriate charges to the income statement calculated by reference to the number of hours or cycles operated during the financial year.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

**i) ROU assets**

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|---|---|
| Aircraft and spare engines | 2 - 15 years |
| Land and building | 2 - 20 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The ROU assets are also subject to impairment. Refer to the accounting policies in Note 2.8 impairment of non-financial assets.

**ii) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease modifications that are not accounted for as separate leases are accounted as adjustments to the carrying value of the lease liability with a corresponding impact to the related right-of-use asset.

**iii) Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.10 Leases (cont'd.)

**Group as a lessor**

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee.

**i) Finance leases**

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 'Financial Instruments' (refer to Note 2.12.4) on impairment of financial assets. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

**ii) Operating leases**

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

**iii) Sublease classification**

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

The Group as an intermediate lessor accounts for the sublease as follows:

- If the sublease is classified as an operating lease, the original lessee continues to account for the lease liability and ROU asset on the head lease.

- If the sublease is classified as a finance lease, the original lessee derecognises the ROU asset on the head lease at the sublease commencement date and continues to account for the original lease liability. The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates it for impairment.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.10 Leases (cont'd.)

**Sale and leaseback transactions**

Sale and leaseback transactions are tested under MFRS 15 Revenue from Contracts with Customers at the date of the transaction to assess whether the transaction qualifies as a sale. If the transfer of the asset is a sale, the seller-lessee will:

- Derecognise the underlying asset; and
- Recognise the gain or loss, if any, that relates to the rights transferred to the buyer-lessor and adjusted for off-market terms.

If the transaction does not qualify as sale under MFRS 15, a financial liability equal to the sale value is recognised in the financial statements.

### 2.11 Inventories

Inventories which comprise consumables used internally for repairs and maintenance are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less all applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

### 2.12 Financial assets

#### 2.12.1 Classification

The Group and the Company classify their financial assets in the following categories; fair value through profit or loss, fair value through other comprehensive income and amortised cost.

**Financial assets at fair value through profit or loss**

All financial assets not measured at amortised cost or fair value through other comprehensive income as described below are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument (see Note 2.15). On initial recognition, the Group and the Company may irrevocably designate a financial asset which may otherwise have met requirements of amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are equity securities which are not held for trading but more for strategic investments or debt securities where contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. The classification as financial assets at fair value through other comprehensive income is an irrevocable election made on initial recognition.

**Amortised costs**

Financial assets classified as amortised costs are assets with contractual cash flows and contractual terms to give rise to the cashflows that are solely payments of principal and interest on principal outstanding. They were included in current assets, except for maturities greater than 12 months after the end of the reporting period. These were classified as non-current assets. The Group's financial assets at amortised costs comprise 'receivables', 'amounts due from associates and related parties', 'deposits on aircraft purchase' and 'deposits, cash and bank balances' in the statements of financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.12 Financial assets (cont'd.)

#### 2.12.2 Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

#### 2.12.3 Subsequent measurement - gains and losses

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets.

**(i) Amortised cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised costs using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

**(ii) Fair value through other comprehensive income**

**(a) Debt instruments**

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt instruments, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The debt instrument is not designated as at fair value through profit or loss. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.12 Financial assets (cont'd.)

#### 2.12.3 Subsequent measurement - gains and losses (cont'd.)

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets. (cont'd.)

**(ii) Fair value through other comprehensive income (cont'd.)**

**(b) Equity investment**

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

**(iii) Fair value through profit or loss**

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (Note 2.12.4).

#### 2.12.4 Subsequent measurement - impairment of financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12 month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.12 Financial assets (cont'd.)

#### 2.12.4 Subsequent measurement - impairment of financial assets (cont'd.)

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income 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 occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

### 2.13 Financial liabilities

#### 2.13.1 Classification and measurement

The Group classifies its financial liabilities in the following category: other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

The Group does not hold any financial liabilities carried at fair value through profit or loss (except for derivative financial instruments). See accounting policy Note 2.15 on derivative financial instruments and hedging activities.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial liability and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the income statements.

The Group's other financial liabilities comprise payables (including intercompanies and related parties' balances), borrowings and lease liabilities in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

### 2.14 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.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.15 Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.12. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

(a) There is 'an economic relationship' between the hedged item and the hedging instrument.

(b) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

(c) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Designation of a risk component of a hedged item is permitted when it is a separable identifiable component of the item, and the changes in the cash flows or the fair value of the item attributable to changes in the risk component is reliably measured.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

**Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'net fair value losses on derivatives' (Note 8(d)).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of property, plant and equipment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.15 Derivatives and hedge accounting (cont'd.)

**Cash flow hedge (cont'd.)**

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'net fair value losses on derivatives' (Note 8(d)).

### 2.16 Cash and cash equivalents

For the purpose of the statements of cash flow, cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short term, highly liquid investments with original maturities of three months or less, less bank overdrafts. Deposits held as pledged securities for banking facilities granted to the Group are not included as cash and cash equivalents.

### 2.17 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group and the Company expect a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed in the notes to consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements.

### 2.18 Share capital

#### 2.18.1 Classification

Ordinary shares with discretionary dividends are classified as equity.

#### 2.18.2 Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.18.3 Dividends distribution

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.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.19 Redeemable Convertible Unsecured Islamic Debt Securities

Redeemable convertible unsecured islamic debt securities ("RCUIDS") issued by the Company are separated into liability and equity components.

On issuance of the RCUIDS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. The amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the RCUIDS, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

### 2.20 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statements.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### 2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.21 Current and deferred income tax (cont'd.)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits including unused investment tax allowance can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, joint ventures or associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.22 Employee benefits

#### 2.22.1 Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

#### 2.22.2 Defined contribution retirement plan

The Group's contributions to the Employees' Provident Fund are charged to income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### 2.22.3 Defined benefit plan

The Group operates defined benefit pension plans in Indonesia and Philippines, which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.22 Employee benefits (cont'd.)

#### 2.22.3 Defined benefit plan (cont'd.)

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'staff costs' in the income statements:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

#### 2.22.4 Share-based payments

Employees of the Company and certain subsidiary companies of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the share options at the date of grant. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserves over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's and the Group's best estimate of the number of share options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for share options that do not ultimately vest because market performance and/or service conditions have not been met. The proceeds received net of any directly attributable transaction costs and the employee share option reserve relating to the vested options are transferred to share capital when the share options are exercised.

### 2.23 Revenue and other income

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.23 Revenue and other income (cont'd.)

(c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with MFRS 15, an entity satisfies the performance at a point in time.

#### 2.23.1 Passenger revenue

Passenger revenue relates to scheduled passenger flight and charter flight income and is recorded net of discounts and includes the related ancillary revenue (including airport and insurance surcharges, administrative fees, baggage fee, assigned seat, cancellation, documentation and other fees, and on-board sale of meals and merchandise). The Group initially recognises all ticket sales as 'sales in advance' which is presented as current liabilities in line with the initial application of MFRS 15. Passenger revenue is recorded when the air transportation service is provided (i.e. recognised at a point in time).

#### 2.23.2 Aircraft operating leases

Revenue from aircraft operating leases is recorded on a straight-line basis over the term of the lease.

#### 2.23.3 Freight services

Freight revenue is a distinct performance obligation and recognised upon the completion of services rendered net of discounts.

#### 2.23.4 Rental income and brand license

Rental income and brand license fees are recognised on an accrual basis.

#### 2.23.5 Interest income

Interest income is recognised using the effective interest method.

#### 2.23.6 Sale of loyalty points

The Group operates a frequent flyer programme where members accumulate points for purchases made which entitle them to discounts on future purchases. Revenue from the award points is recognised as deferred revenue (included in trade and other payables) upon issuing the points, and recognised upon redemption of loyalty points by members. The amount of revenue recognised is computed based on the number of points redeemed and the redemption value of each point which is calculated on a weighted average basis. Award points issued before 1 June 2019 will expire by 36 months upon date of issuance and points issued after 1 June 2019 will expire 24 months upon date of issuance. Revenue associated with the sale of points to merchant partners under the customer loyalty programme is recognised when the obligation is completed.

Included in trade and other payables is the deferred breakage. Breakage represents the estimated loyalty points that are not expected to be redeemed by members. The amount of revenue recognised related to deferred breakage is based on the number of loyalty points redeemed in a period in relation to the total number expected to be redeemed, which factors in the Group estimate for the breakage. 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.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.24 Foreign currencies

#### 2.24.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

#### 2.24.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses arising from operations, borrowings (after effects of effective hedges) and amount due from associates and joint ventures are presented in aggregate after net operating profit in the income statements.

Changes in the fair value of monetary securities denominated in foreign currency classified as investment securities are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as investment securities, are included in other comprehensive income.

#### 2.24.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.24 Foreign currencies (cont'd.)

#### 2.24.3 Group companies (cont'd.)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

### 2.25 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.26 Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised.

### 2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer that makes strategic decisions.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.28 Maintenance reserve funds

Maintenance reserve funds relate to payments made by the lessee for maintenance activities undertaken during the lease period. The Group will reimburse the lessee for agreed maintenance work done as and when incurred. The Group records the amounts received as maintenance reserve funds. At the expiry of the lease term, excess maintenance reserve is recognised in the profit and loss account.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

### 3.1 Impairment assessment of property, plant and equipment and right-of-use assets

The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. This requires an estimation of the value in use of the airline cash generating units.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

There is a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery. As a result, the estimates and assumptions used in the cash flow projections which form the basis of the recoverable amounts attributable to the CGUs require significant judgement. These judgements require estimates to be made over areas including those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates.

Further details of the carrying value, the key assumptions applied in the impairment assessment of property, plant and equipment and right-of-use assets are disclosed in Notes 11 and 29.

### 3.2 Impairment assessment of financial assets

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance ("ECL") for all receivables (including intercompanies and related parties' balances).

The Group assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates specific to the debtors at the end of each reporting period.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

### 3.3 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

Key assumptions and estimates concerning the future used to estimate the future taxable profits have considered the impacts of the COVID-19 pandemic as disclosed in Note 45.

### 3.4 Provision for aircraft maintenance and overhaul costs

The Group operates aircraft which are either owned or held under operating lease arrangement. In respect of the aircraft held under operating lease arrangements, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

A provision by its nature is more uncertain than most other items in the statement of financial position. The estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.

### 3.5 Impairment assessment of intangible assets

Goodwill, landing rights and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash generating units to which goodwill and landing rights are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value and the key assumptions applied in the impairment assessment of goodwill and landing rights are given in Note 16.

Key assumptions and estimates concerning the future used to compute the value in use of assets have considered the impacts of the COVID-19 pandemic as disclosed in Note 45.

### 3.6 Impairment assessment of interests in subsidiaries, associates and joint ventures

The Group's and the Company's interests in subsidiaries, associates and joint ventures are tested for impairment by comparing the carrying amounts with the value in use. Estimating the value in use requires the Group and the Company to make an estimate of the expected future cash flows from the operation of the subsidiaries, the associates and the joint ventures, and to apply a suitable discount rate and growth rate in order to calculate the present value of those cash flows.

Key assumptions and estimates concerning the future used to compute the value in use of assets have considered the impacts of the COVID-19 pandemic as disclosed in Note 45.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 4. REVENUE AND OTHER INCOME

### (a) Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 Restated* | 2021 RM'000 | 2020 RM'000 |
| Aviation | | | | |
| - passenger seat sales | 655,823 | 2,225,678 | - | - |
| - other passenger revenue | 252,840 | 550,839 | - | - |
| - aircraft operating lease income | 153,290 | 55,968 | - | - |
| - other aviation revenue | 2,145 | 3,554 | - | - |
| Logistics and freight services | 551,231 | 295,126 | - | - |
| Online travel and e-commerce platform ("airasia Super App") | 123,664 | 110,211 | - | - |
| Financial and other related services ("BigPay") | 21,615 | 17,606 | - | - |
| Others | 75,578 | 15,417 | - | - |
| | 1,836,186 | 3,274,399 | - | - |

* *Certain revenue classification in prior had been restated to follow the current year classification. Further information is as disclosed in Note 41.*

Other passenger revenue includes ancillary income such as baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sale of meals and merchandise.

Aircraft operating lease income

The details of the operating lease income are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Thai AirAsia Co. Ltd | 124,989 | 7,369 | - | - |
| Third-parties | 28,301 | 48,599 | - | - |
| | 153,290 | 55,968 | - | - |

Revenue by reportable geographical segment is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Malaysia | 993,422 | 2,171,811 | - | - |
| Philippines | 195,957 | 560,318 | - | - |
| Indonesia | 212,333 | 477,556 | - | - |
| Others | 434,474 | 64,714 | - | - |
| | 1,836,186 | 3,274,399 | - | - |

## 4. REVENUE AND OTHER INCOME (CONT'D.)

### (b) Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 Restated* | 2021 RM'000 | 2020 RM'000 |
| Gain on disposal of property, plant and equipment | 32,921 | 184,139 | – | – |
| Fees charged to associates providing commercial air transport services | – | 29,807 | – | – |
| Fees charged to related parties providing commercial air transport services | – | 7,679 | – | – |
| Dividend income from investment securities | – | 5,033 | – | 3,637 |
| Others | 78,783 | 116,060 | 92 | 137 |
| | 111,704 | 342,718 | 92 | 3,774 |

* *Certain other income classification in prior had been restated to follow the current year classification. Further information is as disclosed in Note 41.*

Other income ("others") includes commission income and advertising income.

## 5. STAFF COSTS AND DIRECTORS' REMUNERATION

### (a) Staff costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Salaries, bonus, allowances and other employee benefits | 736,118 | 1,062,431 | 32,036 | 12,893 |
| Defined contribution retirement plan | 59,520 | 103,750 | 3,811 | 1,202 |
| | 795,638 | 1,166,181 | 35,847 | 14,095 |

Included in staff costs are Executive Directors' remuneration for the Group and the Company as disclosed in the Note 5(b) below.

### (b) Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Executive Directors | | | | |
| – salaries, bonus, allowances and other employee benefits | 29,124 | 9,787 | 29,124 | 9,787 |
| – defined contribution plan | 3,495 | 1,174 | 3,495 | 1,174 |
| | 32,619 | 10,961 | 32,619 | 10,961 |
| Non-Executive Directors | | | | |
| – fees | 967 | 1,463 | 700 | 1,437 |
| | 33,586 | 12,424 | 33,319 | 12,398 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 5. STAFF COSTS AND DIRECTORS' REMUNERATION (CONT'D.)

### (b) Directors' remuneration (cont'd.)

The remuneration payable to the Directors of the Company is analysed as follows:

| | Executive | | Non-executive | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Range of remuneration (RM) | | | | |
| 0 to 50,000 | - | - | - | - |
| 150,001 to 200,000 | - | - | 1 | 1 |
| 200,001 to 250,000 | - | - | 1 | - |
| 250,001 to 300,000 | - | - | 2 | - |
| 301,000 to 350,000 | - | - | - | 4 |
| 400,001 to 450,000 | - | - | - | - |
| 450,001 to 500,000 | - | - | - | - |
| 500,001 to 550,000 | - | - | - | - |
| 4,950,001 to 5,000,000 | - | - | - | - |
| 5,400,001 to 5,450,000 | - | 1 | - | - |
| 5,500,001 to 15,550,000 | - | 1 | - | - |
| 15,550,001 to 15,600,000 | - | - | - | - |
| 15,700,001 to 15,750,000 | 1 | - | - | - |
| 15,850,001 to 15,900,000 | - | - | - | - |
| 16,850,001 to 16,900,000 | 1 | - | - | - |
| 18,950,001 to 19,000,000 | - | - | - | - |
| 19,350,001 to 19,400,000 | - | - | - | - |

### (c) Key Management Personnel

Key management personnel are categorised as senior management officers of the Group and the Company.

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Salaries, bonus, allowances and other employee benefits | 34,376 | 13,486 | 29,124 | 9,787 |
| Defined contribution plan | 4,036 | 1,532 | 3,495 | 1,174 |
| | 38,412 | 15,018 | 32,619 | 10,961 |

Included in the key management compensation are Executive Directors' remuneration for the years 2021 and 2020 which were approved by the Nomination and Remuneration Committee during the current year.

## 6. OTHER OPERATING EXPENSES

The following items have been charged/(credited) in arriving at other operating expenses:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 Restated | 2021 RM'000 | 2020 RM'000 |
| Impairment of: | | | | |
| - Property, plant and equipment (Note 11) | - | 43,670 | - | - |
| - Investment in associates (Note 14) | - | 59,272 | - | - |
| - Intangible assets (Note 16) | 5,094 | - | - | - |
| - Trade receivables (Note 18) | 2,975 | 53,539 | - | - |
| - Other receivables (Note 18) | 106 | 344,420 | - | - |
| - Amount due from associates (Note 23) | 15 | 264,071 | - | 213,710 |
| - Amount due from related parties (Note 24) | 14,293 | 615,578 | 637 | - |
| - Right-of-use assets (Note 29) | - | 552,290 | - | - |
| - Finance lease receivables (Note 29) | 2,856 | 90,035 | - | - |
| Reversal of impairment of amount due from associates (Note 23) | (4,898) | - | (269) | - |
| Reversal of impairment of amount due from related parties (Note 24) | - | (390) | - | - |
| Reversal of impairment of trade and other receivables (Note 18) | - | (6,218) | - | - |
| Rental of buildings | 10,914 | 13,020 | - | - |
| Auditors' remuneration | | | | |
| - audit fees | 2,556 | 2,648 | 200 | 200 |
| - non-audit fees | 75 | 90 | - | - |
| Rental of equipment | 278 | 1,341 | - | - |
| Advertising costs | 15,928 | 47,341 | 133 | 40 |

## 7. AIRCRAFT FUEL EXPENSES, MAINTENANCE AND OVERHAUL AND USER CHARGES

### (a) Aircraft fuel expenses

Aircraft fuel expenses include fuel used by aircraft and fuel swap gain/losses. During the current financial year, arising from the COVID-19 pandemic, the Group suffered fuel swap losses of RM30 million (2020: RM972 million).

### (b) Maintenance and overhaul

Maintenance and overhaul include maintenance related works on aircraft, the related consumables and aircraft maintenance provision.

### (c) User charges

User charges include airport related charges, ground operational charges, aircraft insurance cost and inflight related expenses.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 8. FINANCE INCOME/(COSTS), FOREIGN EXCHANGE (LOSS)/GAINS AND NET FAIR VALUE GAINS/(LOSSES) ON DERIVATIVES

### (a) Finance income

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Interest income from: | | | | |
| - deposits, cash and bank balances with licensed banks | 1,169 | 9,585 | 24 | 298 |
| - amounts due from associates | 12,851 | 29,018 | – | – |
| - finance lease receivables | 16,143 | 50,768 | – | – |
| Impact of discounting effect on financial instruments | 4,760 | 25,249 | – | – |
| Others | 391 | 1,324 | 16 | – |
| | 35,314 | 115,944 | 40 | 298 |

### (b) Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Interest expense | | | | |
| - bank borrowings | (101,584) | (53,883) | – | – |
| - lease liabilities | (500,044) | (578,211) | – | – |
| Impact of discounting effect on financial instruments | (70,101) | (75,521) | – | – |
| Others | (8,078) | (6,036) | (1) | (2) |
| | (679,807) | (713,651) | (1) | (2) |

### (c) Foreign exchange (loss)/gains

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Realised | (21,088) | 8,508 | 1,998 | (1,767) |
| Unrealised | (49,996) | 436,255 | (7,184) | 2,300 |
| | (71,084) | 444,763 | (5,186) | 533 |

### (d) Net fair value gains/(losses) on derivatives

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Fair value losses from foreign currency hedging contracts | – | (152,716) | – | – |
| Fair value gains/(losses) from interest rate hedging contracts | 31,377 | (56,753) | – | – |
| Net gain on termination and unwinding of hedges | – | 67,516 | – | – |
| | 31,377 | (141,953) | – | – |

Fair value change of derivatives consists of fair value changes due to movement in mark-to-market ("MTM") position on outstanding hedging contracts that did not qualify for hedge accounting.

## 9. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Current taxation | | | | |
| - Malaysian tax | 4,143 | 15,198 | (150) | 4,461 |
| - foreign tax | 831 | 2,605 | - | - |
| Deferred taxation (Note 17) | 140,765 | 318,826 | - | - |
| | 145,739 | 336,629 | (150) | 4,461 |
| Current taxation | | | | |
| - current financial year | 1,884 | 11,872 | - | 150 |
| - under/(over)provision of income tax in respect of previous years | 3,090 | 5,931 | (150) | 4,311 |
| | 4,974 | 17,803 | (150) | 4,461 |
| Deferred taxation | | | | |
| - origination and reversal of temporary differences | 97,007 | 398,318 | - | - |
| - under/(over)provision of deferred tax in respect of previous years | 43,758 | (79,492) | - | - |
| | 140,765 | 318,826 | - | - |
| | 145,739 | 336,629 | (150) | 4,461 |

The explanation of the relationship between taxation and loss before taxation is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Loss before taxation | (3,575,036) | (5,551,299) | (63,848) | (257,139) |
| Tax calculated at Malaysian tax rate of 24% (2020: 24%) | (858,009) | (1,332,312) | (15,324) | (61,713) |
| Tax effects of: | | | | |
| - expenses not deductible for tax purposes | 895,317 | 313,582 | 15,324 | 62,736 |
| - income not subject to tax | (8,706) | (91,679) | - | (873) |
| - associates' results reported net of tax | (8,394) | (15,077) | - | - |
| - joint venture's result reported net of tax | (109) | (166) | - | - |
| - underprovision of income tax in respect of previous years | 3,090 | 5,931 | (150) | 4,311 |
| - deferred tax assets not recognised | 78,792 | 1,535,842 | - | - |
| - under/(over)provision of deferred tax in respect of previous years | 43,758 | (79,492) | - | - |
| Taxation | 145,739 | 336,629 | (150) | 4,461 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 10. LOSS PER SHARE

**Basic loss per share**

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

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| Net loss for the financial year attributable to owners of the Company (RM'000) | (2,991,075) | (5,111,667) |
| Weighted average number of ordinary shares in issue ('000) | 3,785,670 | 3,341,974 |
| Basic loss per share (sen) | (79.0) | (153.0) |

**Diluted earnings per share**

The calculation of diluted loss per ordinary share at 31 December 2021 was based on loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

No diluted loss per ordinary share is disclosed as there are no dilutive potential ordinary shares.

## 11. PROPERTY, PLANT AND EQUIPMENT

| Group | At 1 January 2021 RM'000 | Additions[2] RM'000 | Acquisition of subsidiaries RM'000 | Disposals RM'000 | Write off RM'000 | Reclassi-fication[1] RM'000 | Depreciation charge RM'000 | Impairment loss RM'000 | Exchange differences RM'000 | At 31 December 2021 RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | | |
| Aircraft engines, airframes and service potential | 244,887 | 13,750 | - | (33,331) | - | - | (33,473) | - | 22,742 | 214,575 |
| Aircraft spares | 173,195 | 7,824 | - | (2) | - | - | (38,094) | - | 4,109 | 147,032 |
| Aircraft fixtures and fittings | 45,802 | 121 | - | (8,689) | - | - | (16,425) | - | (13,778) | 7,031 |
| Freehold land | 50,659 | - | - | - | - | - | - | - | (1,227) | 49,432 |
| Buildings | 300,563 | 2,450 | - | (1,633) | - | 39 | (11,674) | - | (178) | 289,567 |
| Motor vehicles | 7,883 | 851 | - | (95) | - | - | (2,997) | - | (384) | 5,258 |
| Office equipment, furniture and fittings | 76,129 | 16,618 | 1,107 | (883) | (66) | - | (45,750) | - | (425) | 46,730 |
| Office renovation | 22,505 | 865 | 1,326 | (3,341) | (228) | - | (9,896) | - | 2,716 | 13,947 |
| Simulator equipment | 264 | - | - | - | - | - | (39) | - | - | 225 |
| Operating plant and ground equipment | 15,751 | 5,296 | - | (314) | - | - | (5,875) | - | (2,504) | 12,354 |
| In-flight equipment | 1,260 | - | - | - | - | - | (462) | - | - | 798 |
| Training equipment | 1 | - | - | - | - | - | - | - | - | 1 |
| Work in progress[1] | 146,740 | 29 | - | - | (19) | (39) | - | - | (187) | 146,524 |
| | 1,085,639 | 47,804 | 2,433 | (48,288) | (313) | - | (164,685) | - | 10,884 | 933,474 |

1 *Work in progress completed during the financial year were reclassified to respective asset classes.*
2 *Included in additions during the year are engines that were released from lien from a maintenance engine service provider and accordingly recognised as assets based on the residual value of the aircraft engine measured at estimated cost less its depreciation.*

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | At 1 January 2020 RM'000 | Additions[2] RM'000 | Disposals RM'000 | Write off RM'000 | Reclassi-fication[1] RM'000 | Depreciation charge RM'000 | Impairment loss RM'000 | Exchange differences RM'000 | At 31 December 2020 RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | |
| Aircraft engines, airframes and service potential | 292,748 | 230,577 | (236,378) | - | - | (28,362) | (8,832) | (4,866) | 244,887 |
| Aircraft spares | 228,626 | 15,280 | (7,344) | - | - | (36,997) | (26,325) | (45) | 173,195 |
| Aircraft fixtures and fittings | 65,212 | 15,342 | (2,311) | - | - | (24,023) | (8,513) | 95 | 45,802 |
| Freehold land | 51,263 | 1,591 | - | - | - | - | - | (2,195) | 50,659 |
| Buildings | 265,451 | 3,227 | - | - | 47,921 | (11,567) | - | (4,469) | 300,563 |
| Motor vehicles | 9,145 | 4,102 | (1,753) | - | - | (3,785) | - | 174 | 7,883 |
| Office equipment, furniture and fittings | 82,767 | 38,896 | (7,982) | (5,588) | 50 | (32,075) | - | 61 | 76,129 |
| Office renovation | 22,766 | 8,186 | (612) | - | 199 | (8,323) | - | 289 | 22,505 |
| Simulator equipment | 634 | - | (361) | - | - | (9) | - | - | 264 |
| Operating plant and ground equipment | 13,429 | 11,761 | (4,329) | - | - | (5,303) | - | 193 | 15,751 |
| In-flight equipment | 1,650 | 76 | - | - | - | (476) | - | 10 | 1,260 |
| Training equipment | 1 | - | - | - | - | - | - | - | 1 |
| Work in progress[1] | 167,884 | 26,908 | - | - | (48,170) | - | - | 118 | 146,740 |
| | 1,201,576 | 355,946 | (261,070) | (5,588) | - | (150,920) | (43,670) | (10,635) | 1,085,639 |

1 *Work in progress completed during the financial year were reclassified to respective asset classes.*

2 *Included in additions during the year are engines that were released from lien from a maintenance engine service provider and accordingly recognised as assets based on the residual value of the aircraft engine measured at estimated cost less its depreciation.*

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | Cost RM'000 | Accumulated depreciation RM'000 | Accumulated impairment loss RM'000 | Carrying amount RM'000 |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| Aircraft engines, airframes and service potential | 436,708 | (213,301) | (8,832) | 214,575 |
| Aircraft spares | 292,831 | (119,474) | (26,325) | 147,032 |
| Aircraft fixtures and fittings | 145,989 | (130,445) | (8,513) | 7,031 |
| Freehold land | 49,432 | – | – | 49,432 |
| Buildings | 332,142 | (42,575) | – | 289,567 |
| Motor vehicles | 25,533 | (20,275) | – | 5,258 |
| Office equipment, furniture and fittings | 280,850 | (209,180) | (24,940) | 46,730 |
| Office renovation | 67,099 | (53,152) | – | 13,947 |
| Simulator equipment | 323 | (98) | – | 225 |
| Operating plant and ground equipment | 39,996 | (27,642) | – | 12,354 |
| In-flight equipment | 5,082 | (4,284) | – | 798 |
| Training equipment | 5,210 | (5,209) | – | 1 |
| Work in progress | 146,524 | – | – | 146,524 |
| | 1,827,719 | (825,635) | (68,610) | 933,474 |
| **At 31 December 2020** | | | | |
| Aircraft engines, airframes and service potential | 386,496 | (132,777) | (8,832) | 244,887 |
| Aircraft spares | 496,947 | (297,427) | (26,325) | 173,195 |
| Aircraft fixtures and fittings | 207,142 | (152,827) | (8,513) | 45,802 |
| Freehold land | 50,659 | – | – | 50,659 |
| Buildings | 334,074 | (33,511) | – | 300,563 |
| Motor vehicles | 27,049 | (19,166) | – | 7,883 |
| Office equipment, furniture and fittings | 291,980 | (190,911) | (24,940) | 76,129 |
| Office renovation | 69,823 | (47,318) | – | 22,505 |
| Simulator equipment | 353 | (89) | – | 264 |
| Operating plant and ground equipment | 37,815 | (22,064) | – | 15,751 |
| In-flight equipment | 4,908 | (3,648) | – | 1,260 |
| Training equipment | 4,419 | (4,418) | – | 1 |
| Work in progress | 146,740 | – | – | 146,740 |
| | 2,058,405 | (904,156) | (68,610) | 1,085,639 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Included in property, plant and equipment of the Group are assets with the following:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Aircraft pledged as security for borrowings | 97,524 | 134,681 |
| Freehold land and building pledged as security for borrowings | 145,905 | 154,105 |
| Total property, plant and equipment sub-leased to associates or pledged as security for borrowings | 243,429 | 288,786 |

The beneficial ownership and operational control of aircraft pledged as security for borrowings rests with the Group when the aircraft is delivered to the Group.

Where the legal title to the aircraft is held by financiers during delivery, the legal title will be transferred to the Group only upon settlement of the respective facilities.

The freehold land and certain buildings of the Group with net carrying amount of RM49.2 million and RM96.7 million respectively (2020: RM50.6 million and RM103.4 million) have been pledged as security for borrowings granted to the Group.

## 12. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| **Unquoted investments, at cost** | | |
| At 1 January | 8,295,541 | 8,258,716 |
| Additions during the year | 243,094 | 49,412 |
| Derecognition | – | (12,587) |
| Deemed investment | 6,006 | - |
| At 31 December | 8,544,641 | 8,295,541 |

**Additional investments during the financial year ended 31 December 2021**

(a) During the year, the Company acquired Santan Restaurant Sdn Bhd ("STR") from Santan Food Sdn Bhd ("STF") for a total consideration amounting to RM322,000 in exchange for 3,000,002 ordinary shares of RM1 per share.

(b) During the year, the Company capitalised RM242.8 million due from Asia Digital Engineering Sdn Bhd ("ADE") in return for 242.8 million ordinary shares of RM1 per share issued by ADE to the Company.

(c) During the year, the Company incorporated AirAsia Consulting Sdn Bhd with 1 ordinary share of RM1 per share.

(d) During the year, the Company incorporated AirAsia Data Holdings Inc ("ADH") with 2 ordinary shares at USD100 per share.

(e) During the current financial year, the Company issued ESOS as disclosed in Note 32 to the employees of the Company and its subsidiaries. The ESOS issued to the employees of the subsidiaries is a deemed investment in these subsidiaries which had paid the employees in lieu of their services in shares of the Company.

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

**Additional investments in prior year**

(a) In previous year, AirAsia Aviation Group Limited (formerly known as AirAsia Investment Limited) ("AAAGL") transferred 1 million ordinary shares of AirAsia (Guangzhou) Aviation Service Limited ("AGZ") at USD1 each to AAGB with a consideration amounting to USD1 million (equivalent to RM4.2 million).

(b) In the previous year, the Company capitalised RM7.2 million due from Asia Digital Engineering Sdn Bhd ("ADE") in return of 7.2 million shares at RM1 per share issued by ADE to the Company.

(c) In the previous year, AirAsia Digital Sdn Bhd ("AAD") (formerly known as RedBeat Ventures Sdn Bhd) capitalised RM38 million owed by issuing 38 million shares at RM1 per share to the Company.

Details of the subsidiaries are as follows:

| | | Group's effective equity interest | | |
|---|---|---|---|---|
| **Name of entity** | **Country of incorporation** | **2021 %** | **2020 %** | **Principal activities** |
| **Directly held by the Company** | | | | |
| AirAsia Berhad ("AAB") | Malaysia | 100 | 100 | Commercial air transport services |
| AAD | Malaysia | 100 | 100 | Investment holding |
| AirAsia SEA Ltd[+] | Thailand | 100 | 99.99 | Management services |
| AirAsia Aviation Group Limited ("AAAGL") (formerly known as AirAsia Aviation Limited and AirAsia Investment Ltd) | Malaysia | 100 | 100 | Investment holding |
| AGZ | China | 100 | 100* | Aviation and commercial services |
| ADE | Malaysia | 100 | 100 | Providing engineering services |
| ACS | Malaysia | 100 | - | Providing consulting services |
| ADH | British Virgin Islands | 100 | - | Investment holding |
| STR | Malaysia | 100* | - | Food and beverages |
| Santan Restaurant Ltd | United Kingdom | 100* | - | Food and beverages |
| **Held by AAB** | | | | |
| AirAsia Go Holiday Sdn Bhd ("AGH") | Malaysia | 100 | 100 | Tour operating business |
| AirAsia (Mauritius) Limited[f] | Mauritius | 100 | 100 | Providing aircraft leasing facilities to Thai AirAsia Co Ltd |
| AirAsia Corporate Services Limited[f] | Malaysia | 100 | 100 | Facilitate business transactions for AirAsia Group with non-resident goods and service providers |
| AirAsia Drone Sdn Bhd (formerly known as RedBeat Tech Academy Sdn Bhd) | Malaysia | 100 | 100 | Investment holding |
| AirAsia SEA Sdn Bhd | Malaysia | 100 | 100 | To provide shared services and outsourcing for its affiliates |

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

| Name of entity | Country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % | Principal activities |
|---|---|---|---|---|
| **Held by AAB (cont'd.)** | | | | |
| Asia Aviation Capital Limited ("AAC") | Malaysia | 100 | 100 | Providing aircraft leasing facilities |
| MadCience Consulting Sdn Bhd | Malaysia | 100 | 100 | Provision of central depository services for its affiliates |
| AirAsia Technology Centre India Private Limited ("AATCIPL") | India | 100 | 100 | Consultancy and services in the areas of information, technology design, development and implementation |
| AirAsia Corporate Charter Sdn Bhd | Malaysia | – | 100 | Liquidated on 29 July 2021 |
| AirAsia Pte Ltd ("AAPL")+ | Singapore | – | 100 | Liquidated on 13 August 2021 |
| **Held by AAD** | | | | |
| BIGLIFE Sdn Bhd ("BIG") | Malaysia | –* | 80 | Financial services and managing customer loyalty points |
| Big Pay Pte Ltd (BPPL)+ | Singapore | 99.56 | 89.29 | Investment holding |
| Santan Food Sdn Bhd (STF) | Malaysia | –* | 100 | Trading in coffee and tea related products |
| RedTix Sdn Bhd ("RedTix")f | Malaysia | 75 | 75 | Event ticketing business |
| RedBeat Ventures Inc | United States | 100 | 100 | Dormant |
| RedBeat Capital 1, LLC | United States | 100 | 100 | Dormant |
| Teleport Everywhere Pte Ltd ("TES")+ | Singapore | 92.66 | 100 | Investment holding |
| AirAsia Com Travel Sdn Bhd ("AA.Com") | Malaysia | –* | 100 | Tour and travel services |
| AirAsia Technology Centre Singapore Pte Ltd | Singapore | 100 | 100 | Research and experimental development on IT, development of software for cybersecurity |
| RedBeat Capital Fund 1, LP | United States | 100 | 100 | Dormant |
| RedBeat Academy Sdn Bhd | Malaysia | 100 | 100 | Provision of media content services |
| BigPay Holdings Sdn Bhd | Malaysia | 100 | 100 | Investment holding |
| AAD Data Sdn Bhd | Malaysia | 100 | - | Special purpose vehicle for loan transaction |
| AirAsia SuperApp Sdn Bhd (formerly known as AirAsia Ads Sdn Bhd) ("Superapp") | Malaysia | 96.19* | - | Investment holding |
| Ikhlas Com Travel Sdn Bhd | Malaysia | 60* | - | Inflight magazine content |

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

| Name of entity | Country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % | Principal activities |
|---|---|---|---|---|
| **Held by AAAGL** | | | | |
| AirAsia Inc ("PAA")[f] | Philippines | 40 | 40 | Commercial air transport services |
| PT AirAsia Indonesia TBK ("AAID")[+^] | Indonesia | 49 | 49.3 | Investment holding |
| **Held by PAA** | | | | |
| Philippines AirAsia Inc ("PAAI")[f] | Philippines | 39.5 | 39.5 | Commercial air transport services |
| Asiawide Airways Inc[f] | Philippines | 40 | 40 | Dormant |
| **Held by AAID** | | | | |
| PT Indonesia AirAsia ("IAA")[+] | Indonesia | 49.1 | 49.1 | Commercial air transport services |
| **Held by IAA** | | | | |
| PT Garda Tawang Reksa Indonesia ("GTRI")[f] | Indonesia | 32.9 | 32.9 | Provision of airport related services |
| **Held by SuperApp** | | | | |
| AirAsia Com Travel Sdn Bhd ("AA.Com") | Malaysia | 96.19* | - | Tour and travel services |
| AirAsia Duty Free Sdn Bhd (formerly known as Shop365 Sdn Bhd) | Malaysia | 96.19* | - | Inflight shop |
| AirAsia Ride Sdn Bhd | Malaysia | 96.19* | - | E-hailing services |
| Santan Food Sdn Bhd | Malaysia | 96.19* | - | Trading in coffee and tea related products |
| BIGLIFE Sdn Bhd ("BIG") | Malaysia | 96.19* | - | Financial services and managing customer loyalty points |
| Velox Technology (Thailand) Company Limited | Thailand | 96.19 | - | Operation of AirAsia Superapp |
| **Held by Santan Food Sdn Bhd** | | | | |
| Santan Restaurant Sdn Bhd | Malaysia | -* | 100 | Food and beverages |
| Santan Kitchen Sdn Bhd | Malaysia | 96.19 | 100 | Provision of inflight meal products |
| Ourfarm Asia Sdn Bhd ("Ourfarm") | Malaysia | 96.19 | 100* | Wholesale of meat, fish, fruits, vegetables, flowers and plants |
| Santan Restaurant Ltd | United Kingdom | -* | 100 | Food and beverages |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

| Name of entity | Country of incorporation | Group's effective equity interest 2021 % | 2020 % | Principal activities |
|---|---|---|---|---|
| **Held by AAC** | | | | |
| Asia Aviation Capital Pte. Ltd. ("AACPL")+ | Singapore | 100 | 100 | Providing supporting services to air transport |
| Rouge Aircraft 1 Limited | Labuan | 100 | 100 | Providing supporting services to air transport |
| **Held by AACPL** | | | | |
| Asia Aviation Capital Ireland Limited ("AACIL")+ | Ireland | 100 | 100 | Providing supporting services to air transport |
| AAC3 Pte Ltd ("AAC3")+ | Singapore | 100 | 100 | Dormant |
| AAC4 Pte Ltd ("AAC4")+ | Singapore | 100 | 100 | Dormant |
| **Held by AACIL** | | | | |
| Clifden Aviation 1 Limited ("CA1") | Ireland | 100 | 100 | Process of dissolution |
| Clifden Aviation 2 Limited ("CA2") | Ireland | 100 | 100 | Process of dissolution |
| Clifden Aviation 3 Limited ("CA3") | Ireland | 100 | 100 | Process of dissolution |
| Clifden Aviation 4 Limited ("CA4") | Ireland | 100 | 100 | Process of dissolution |
| **Held by BIG** | | | | |
| BIGLIFE Digital Singapore Pte Ltd[f] | Singapore | 96.19 | 80 | Marketing and distribution of loyalty programme |
| BIGLIFE (Thailand) Co Ltd | Thailand | 47.13 | 39 | Marketing and distribution of loyalty programme |
| PT BIGLIFE Digital Indonesia | Indonesia | 96.19 | 80 | Marketing and distribution of loyalty programme |
| BIGLIFE Hong Kong Co Ltd[f] | Hong Kong | 96.19 | 80 | Dormant |
| BIGLIFE India Pvt Ltd | India | 96.19 | 80 | Marketing and distribution of loyalty programme |
| BIGLIFE Guangzhou Co Ltd[f] | China | 96.19 | 80 | Marketing and distribution of loyalty programme |
| BIGLIFE Philippines Inc[f] | Philippines | 96.19 | 80 | Marketing and distribution of loyalty programme |
| BIGLIFE Digital Sdn Bhd | Malaysia | 96.19 | 80 | Dormant |
| BIGLIFE Japan Co., Ltd[f] | Japan | 96.19 | 80 | Marketing and distribution of loyalty programme |
| BIGLIFE Vietnam Inc[f] | Vietnam | 96.19 | 80 | Marketing and distribution of loyalty programme |

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

| Name of entity | Country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % | Principal activities |
|---|---|---|---|---|
| **Held by BPPL** | | | | |
| BigPay Malaysia Sdn Bhd ("BigPay") | Malaysia | 99.56 | 89.29 | Provision of financial and other related services |
| BigPay Singapore Pte Ltd+ | Singapore | 99.56 | 89.29 | Provision of financial services including but not limited to e-money products |
| BigPay (Thailand) Ltd+ | Thailand | 99.56 | 89.29 | Provision of financial and other related services |
| BigPay Later Sdn Bhd | Malaysia | 99.56 | 89.29 | Provision of other financial service activities |
| BPB Technologies Sdn Bhd | Malaysia | 99.56 | - | Technology and platform service activities |
| BigPay Capital Sdn Bhd | Malaysia | 99.56 | - | Investment holding |
| **Held by Redtix** | | | | |
| Rokki Media Holdings Sdn Bhd | Malaysia | 75 | 75 | Dormant |
| **Held by TES** | | | | |
| Teleport Commerce Malaysia Sdn Bhd ("TCM") | Malaysia | 92.66 | 100 | Logistics business |
| Teleport Commerce In Private Limited | India | 62.08 | 67 | Logistics business |
| PT Teleportasi Bisnis Indonesia | Indonesia | 62.08 | 67 | Logistics business |
| Freightchains Technologies Pte Ltd+ | Singapore | 74.13 | 80 | Research and development arm of TCM |
| Delivereat Sdn Bhd | Malaysia | 92.66 | - | Online food ordering and delivery services |
| Teleport Holdings Sdn Bhd | Malaysia | 92.66 | - | Investment management, cargo, logistics and delivery services |
| **Held by TCM** | | | | |
| Teleport Platform Sdn Bhd ("TPSB") | Malaysia | 92.66 | 100 | Facilitation of logistics and payment services for cross border e-commerce |
| Freightchains Technologies Pte Ltd+ | Singapore | 9.27 | 20 | Research and development arm of TCM |
| **Held by TPSB** | | | | |
| Teleport Platforms Pte Ltd+ | Singapore | 92.66 | 100* | Online retail sales |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

| Name of entity | Country of incorporation | Group's effective equity interest 2021 % | 2020 % | Principal activities |
|---|---|---|---|---|
| **Held by AA.Com** | | | | |
| Ikhlas Com Travel Sdn Bhd | Malaysia | -* | 100 | Inflight magazine content |
| AirAsia Duty Free Sdn Bhd (formerly known as Shop365 Sdn Bhd) | Malaysia | -* | 100 | Inflight shop |
| Rokki Sdn Bhd ("Rokki") | Malaysia | 96.19 | 100* | Trading of multimedia content and equipment |
| PT AirAsia Com Indonesia | Indonesia | 96.19 | 100 | Tour and travel services |
| AA Com Travel Philippines Inc | Philippines | 96.19 | 100 | Tour and travel services |
| AirAsia Com Travel (Thailand) Ltd | Thailand | 96.19 | 100 | Tour and travel services |
| AirAsia Com (Singapore) Pte Ltd | Singapore | 96.19 | 100 | Tour and travel services |
| AACOM Australia Pty Ltd | Australia | 96.19 | 100 | Tour and travel services |
| AirAsia Superapp Sdn Bhd (formerly known as AirAsia Ads Sdn Bhd) | Malaysia | -* | 100 | Investment holding |
| AirAsia Com (Hong Kong) Ltd | Hong Kong | 96.19 | 100 | Tour and travel services |
| **Held by AirAsia Com (Hong Kong) Ltd** | | | | |
| AirAsia Com Guangzhou Co. Ltd | China | 96.19 | 100 | Tour and travel services |

*+ Audited by a member of Ernst & Young Global.*
*f Audited by a firm other than Ernst & Young.*
*^ Listed on the Indonesia Stock Exchange.*
** Transferred within the Group.*

**Incorporation of subsidiaries during the financial year ended 31 December 2021**

During the year, the Group incorporated the following subsidiaries for a total paid up ordinary share capital of RM600,839:

| | 2021 RM |
|---|---|
| AirAsia Consulting Sdn Bhd | 1 |
| AirAsia Data Holdings Inc | 834 |
| AAD Data Sdn Bhd | 2 |
| AirAsia Ride Sdn Bhd | 100,000 |
| BPB Technologies Sdn Bhd | 1 |
| BigPay Capital Sdn Bhd | 500,000 |
| Teleport Holdings Sdn Bhd | 1 |
| | 600,839 |

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

**Acquisition of subsidiaries during the financial year ended 31 December 2021**

(a) On 7 July 2021, the Company announced that its subsidiaries, AirAsia SuperApp Sdn Bhd and AirAsia Digital Sdn Bhd ("AAD") will acquire 100% equity interest in Velox Technology (Thailand) Co Ltd. and Velox Fintech Co. Ltd for a purchase consideration of USD40 million and USD10 million respectively. The above shall be satisfied by issuance of 3.81% and 0.95% respectively of shares in AirAsia Super App Sdn Bhd. On 27 July 2021, the acquisition of Velox Technology (Thailand) Co Ltd. had been completed. The acquisition resulted in a provisional goodwill of RM160.7 million (subject to purchase price allocation exercise to be completed within 12 months from date of acquisition). On 7 October 2021, AAD terminated the proposed acquisition of Velox Fintech Co. Ltd.

(b) On 18 August 2021, TES, a subsidiary of AAD signed an agreement to acquire 100% of the equity interest in Delivereat Sdn Bhd, a local Malaysia food delivery platform, valued at RM40.9 million. The said acquisition was completed on 4 November 2021. A goodwill of RM30.5 million (subject to purchase price allocation exercise to be completed within 12 months) was recognised.

Details of the assets, liabilities and net cashflow arising from the acquisitions are as follows:

| | Fair value recognised on acquisition RM'000 | Carrying amount RM'000 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment (Note 11) | 2,433 | 2,433 |
| Intangible assets (Note 16) | 5,714 | 5,714 |
| Cash and bank balances | 27,154 | 27,154 |
| Receivables and prepayments | 8,823 | 8,823 |
| **Total assets** | 44,124 | 44,124 |
| **Liabilities** | | |
| Payables | 4,196 | 4,196 |
| Sales in advance | 31 | 31 |
| **Total liabilities** | 4,227 | 4,227 |
| Fair value of net identifiable assets | | 39,897 |
| Goodwill on acquisition (Note 16) | | 191,207 |
| Purchase consideration transferred | | 231,104 |

| | Group RM'000 |
|---|---|
| **Purchase consideration** | |
| Shares of subsidiaries issued, at fair value | 181,352 |
| Cash paid | 49,752 |
| **Total consideration** | 231,104 |
| ***Analysis of cash flows on acquisition:*** | |
| Net cash acquired with the subsidiaries | 27,154 |
| Cash paid | (49,752) |
| Net cash flow on acquisition | (22,598) |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

**Accretion of additional interest in a subsidiary**

On 21 June 2021, the Company acquired the remaining 20% equity interest in BIGLIFE Sdn Bhd from Aimia Holdings UK II Limited for RM103 million (approximately USD25 million) to be satisfied by the issuance of 85,864,583 ordinary shares in the Company allotted at an issue price of RM1.20 per share. Following the acquisition, BIGLIFE Sdn Bhd became a wholly owned subsidiary of the Group. The effect of the acquisition is reflected in the statement of changes in equity.

| | Group |
|---|---|
| | RM'000 |
| Non-controlling interest measured at cost | 5,653 |
| Purchase consideration satisfied via issuance of shares of the Company | 103,038 |
| Loss on accretion of interest in a subsidiary recognised statement of changes in equity | 108,691 |

**Dilution of interest in subsidiaries**

On 26 July 2021, the Company alloted additional shares of 1,200,000 to Ikhlas Kamarudin as partial settlement of its investment in mobile applications and website development costs in Ikhlas Com Travel l Sdn Bhd of RM1.2 million. Arising from the allotment of shares, the Company diluted its shareholding from 100% to 60%. The effect of the dilution of RM1.2 million is as disclosed in the statement of changes in equity.

On 18 August 2021, Teleport, a subsidiary of AAD signed an agreement to acquire 100% of the equity interest in Delivereat Sdn Bhd, a local Malaysia food delivery platform, valued at USD9.8 million. The said acquisition was completed on 4 November 2021 satisfied by issuance of 1.21% of shares in Teleport and the balance to be satisfied in cash. A goodwill of RM30.5 million (subject to purchase price allocation exercise to be completed within 12 months) was recognised.

**Material partly-owned subsidiaries**

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

| Name of entity | Country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % |
|---|---|---|---|
| IAA | Indonesia | 49.1 | 49.1 |
| PAA | Philippines | 40 | 40 |

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

**Material partly-owned subsidiaries (cont'd.)**

| | Group 2021 RM'000 | Group 2020 RM'000 |
|---|---|---|
| Accumulated balances of material non-controlling interests: | | |
| IAA | (1,127,515) | (781,415) |
| PAA | (1,877,224) | (1,538,500) |
| Other individually immaterial subsidiaries | (35,864) | (35,592) |
| | (3,040,603) | (2,355,507) |
| Loss allocated to material non-controlling interests: | | |
| IAA | (346,101) | (395,261) |
| PAA | (338,724) | (361,821) |
| Other individually immaterial subsidiaries | (28,125) | (10,836) |
| | (712,948) | (767,917) |

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.

Summarised income statements as at 31 December are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | IAA RM'000 | PAA RM'000 | IAA RM'000 | PAA RM'000 |
| Revenue | 181,476 | 176,024 | 514,140 | 558,304 |
| Depreciation and amortisation | (294,173) | (245,893) | (327,430) | (293,327) |
| Interest income | 34 | 9 | 199 | 43 |
| Interest expense | (76,129) | (51,318) | (76,768) | (98,613) |
| **Loss before taxation** | (559,884) | (547,267) | (881,639) | (584,395) |
| Tax (expense)/credit | (117,859) | - | 90,611 | - |
| **Net loss for the financial year** | (677,743) | (547,267) | (791,028) | (584,395) |
| Other comprehensive (loss)/income | (2,219) | (17,272) | 14,484 | (18,640) |
| **Total comprehensive loss** | (679,962) | (564,539) | (776,543) | (603,035) |
| Attributable to non-controlling interests | (346,101) | (338,724) | (395,261) | (361,821) |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D.)

**Material partly-owned subsidiaries (cont'd.)**

Summarised statements of financial position as at 31 December are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | IAA RM'000 | PAA RM'000 | IAA RM'000 | PAA RM'000 |
| Non-current assets | 1,458,047 | 721,811 | 1,678,504 | 940,601 |
| Current assets | 48,434 | 217,288 | 141,082 | 65,520 |
| Non-current liabilities | (1,097,859) | (706,530) | (1,494,295) | (1,236,092) |
| Current liabilities | (1,931,484) | (2,805,644) | (1,158,820) | (2,298,905) |
| Net liabilities | (1,522,861) | (2,573,075) | (833,529) | (2,528,876) |

Summarised cash flow information for the year ended 31 December are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | IAA RM'000 | PAA RM'000 | IAA RM'000 | PAA RM'000 |
| Operating | 9,186 | 504,576 | 36,056 | 74,864 |
| Investing | (2,777) | (11,044) | 8,605 | 3,139 |
| Financing | (15,259) | (418,022) | (126,032) | (127,757) |
| **Net (decrease)/increase in cash and cash equivalents** | (8,850) | 75,510 | (81,371) | (49,754) |

## 13. INVESTMENT IN A JOINT VENTURE

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Unquoted investments, at cost | 2,025 | 2,025 | - | - |
| Share of post-acquisition loss | (1,147) | (693) | - | - |
| | 878 | 1,332 | - | - |

In prior year, the Group, through its wholly-owned subsidiary, RedBeat Academy Sdn Bhd ("RBA"), entered into a Preliminary Shareholders' Agreement in relation to a proposed joint venture with Universal Music Malaysia Sdn Bhd, namely RedRecords Sdn Bhd ("RRSB") with an initial fully paid-up share capital of RM2 consisting of 2 ordinary shares.

On 20 April 2020, RBA and Universal Music Malaysia Sdn Bhd have increased the fully paid-up share capital of RRSB to USD1 million (equivalent to RM4.1 million) by subscribing to an equal amount of shares.

During the year, RBA transferred its investment in RRSB to another subsidiary of the Group, AirAsia Com Travel Sdn Bhd ("AA.Com").

## 13. INVESTMENT IN A JOINT VENTURE (CONT'D.)

The joint venture listed below has share capital consisting solely of ordinary shares, which are indirectly held by the Group:

| Name of entity | Principal place of business/ country of incorporation | Group's effective equity interest 2021 % | Group's effective equity interest 2020 % | Principal activities |
|---|---|---|---|---|
| **Held by RBA** | | | | |
| RRSB[f] | Malaysia | -* | 50 | Music-based entertainment |
| **Held by AA.Com** | | | | |
| RRSB[f] | Malaysia | 50* | - | Music-based entertainment |

*f Audited by a firm other than Ernst & Young.*
** Transferred within the Group.*

## 14. INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Unquoted investments | | | | |
| As at 1 January | 1,087,889 | 1,526,196 | - | - |
| Disposed during the year | - | (361,851) | - | - |
| Reclassified to investment in other securities | - | (76,456) | - | - |
| | 1,087,889 | 1,087,889 | - | - |
| Share of post-acquisition loss | (522,114) | (477,364) | - | - |
| Share of post-acquisition reserves | (68,499) | (68,499) | - | - |
| Impairment losses | (59,272) | (59,272) | - | - |
| As at 31 December | 438,004 | 482,754 | - | - |

**Disposal of an associate in the previous year**

On 29 December 2020, the Group announced that its wholly owned subsidiary, AAAGL executed a Share Purchase Agreement ("SPA") with Tata Sons Private Limited ("TSL") to sell 32.7% of AirAsia (India) Limited ("AAI"), comprising 490 million ordinary shares of INR10 each, for a consideration of USD37.7 million (or approximately RM152.9 million), which resulted in a gain on disposal of RM152.9 million.

The SPA also provides for an option for the sale of AAAGL remaining 16.3% stake in AAI. The total consideration in respect of the option is USD18.8 million (or approximately RM76.5 million).

Consequently, the Group has lost its significant influence in AAI. Therefore, the remaining equity stake of 16% was reclassified from "investment in associates" to "investment securities" and remeasured to a fair value of USD18.8 million (equivalent to RM76.5 million) in accordance with MFRS 9.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 14. INVESTMENT IN ASSOCIATES (CONT'D.)

The details of the associates are as follows:

| Name of entity | Principal place of business/ country of incorporation | Group's effective equity interest 2021 % | 2020 % | Principal activities |
|---|---|---|---|---|
| **Held by AAB** | | | | |
| AirAsia Philippines Inc | Philippines | 39.9 | 39.9 | Dormant |
| Ground Team Red Holdings Sdn Bhd ("GTRH")[f] | Malaysia | 50 | 50 | Investment holding |
| **Held by AAAGL** | | | | |
| Thai AirAsia Co. Ltd ("TAA")[+] | Thailand | 45 | 45 | Commercial air transport services |
| AirAsia Japan Co., Ltd ("AAJ")[+^] | Japan | 66.9[#] | 66.9[#] | Under bankruptcy proceedings |
| **Held by GTRH** | | | | |
| Ground Team Red Sdn Bhd ("GTR")[f] | Malaysia | 49 | 49 | Ground handling services |
| GTRSG Pte Ltd (formerly known as SATS Ground Services Pte Ltd)[f] ("GTRSG") | Singapore | 40 | 40 | Ground handling services |
| **Held by TES** | | | | |
| Teleport (Thailand) Co Ltd | Thailand | 45.40 | 49 | Logistics business |
| Teleport Commerce Philippines, Inc | Philippines | 37.06 | 40 | Logistics business |
| **Held by TPSB** | | | | |
| Teleport Commerce (Thailand) Co, Ltd | Thailand | 45.40 | 49 | Online retail sales |

*+ Audited by a member of Ernst & Young Global.*
*f Audited by a firm other than Ernst & Young.*
*^ These investees are deemed to be the associates of the Group as the Group has significant influence and not control over the relevant activities.*
** Transferred to investment securities.*
*# Equity interest of 66.91% comprise both voting and non-voting shares in AAJ. AAAGL holds 33% of the voting shares and 67% of the non-voting shares.*

All of the investment in associates are accounted for using the equity method.

## 14. INVESTMENT IN ASSOCIATES (CONT'D.)

All of the associates have the same reporting period as the Group except for AAI and GTRH which is 31 March. For the purpose of applying the equity method of accounting for associates, the last audited financial statements available and the management financial statements as at end of the accounting period of the associate were used.

In prior year, AAJ had filed for bankruptcy as a result of unfavourable operating conditions brought about by the COVID-19 pandemic. However, the share of losses in AAJ exceeds the Group's interest in AAJ, hence there is no impact to the investment in associates. The Group's cumulative share of unrecognised losses at the reporting date for AAJ was RM108.3 million (2020: RM108.3 million). The Group has no obligation in respect of these losses. Upon the completion of the bankruptcy, both the cost of investment and the corresponding losses will be derecognised.

The Group has not recognised losses relating to TAA, where its share of losses exceeds the Group's interest in this associate as a result of grim earnings brought about by the COVID-19 pandemic. Pursuant to the restructuring of TAA which had resulted in the Group's investment to be in its holding company AAV. The completion of the restructuring is interconditional upon AAV raising rights issue and purchasing the remainder of TAA shares that they did not already own. The restructuring was completed after year end. Accordingly, RM581 million is recognised as a non-current prepayment to an investment in associate pending its completion as disclosed in Note 18.

There are no contingent liabilities relating to the Group's interest in the associates.

Material associates

The directors consider TAA and GTRH as material associates to the Group. TAA, a wholly owned subsidiary of AAV, is an operator of commercial air transport services based in Thailand. This associate company is a strategic investment of the Company and form an essential part of the Company's growth strategy. TAA provides access to a wider geographical market and network coverage in the provision of air transport services across the Association of Southeast Asian Nations ("ASEAN") region. GTRH has investments in GTR and SGSS which provide ground handling services in Malaysia and Singapore respectively.

Summarised financial information for associates

The tables below provide summarised financial information for TAA and GTRH that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of TAA and GTRH and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

**Summarised statements of financial position**

| | GTRH | | TAA | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Non-current assets | 875,951 | 1,082,680 | 5,315,013 | 5,733,791 |
| Current assets | 3 | 3 | 377,676 | 358,733 |
| Non-current liabilities | – | – | (4,564,294) | (4,158,651) |
| Current liabilities | (1,228) | (1,133) | (2,498,761) | (2,405,801) |

**Summarised statements of comprehensive income**

| | GTRH | | TAA | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Revenue | – | – | 563,845 | 2,191,906 |
| Net loss for the financial year | (88,280) | (81,406) | (1,474,275) | (1,170,851) |
| Other comprehensive income/(loss) | – | – | 53,342 | (29,125) |
| Total comprehensive loss | (88,280) | (81,406) | (1,420,933) | (1,199,976) |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 14. INVESTMENT IN ASSOCIATES (CONT'D.)

Summarised financial information for associates (cont'd.)

Reconciliations of summarised financial information:

| | GTRH | | TAA | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Opening net assets at 1 January | 1,081,550 | 1,162,956 | – | 270,557 |
| Impairment loss | (118,544) | – | – | – |
| Loss for the financial year | (88,280) | (81,406) | (1,474,275) | (1,170,851) |
| Other comprehensive income/(loss) | – | – | 53,342 | (29,125) |
| Foreign exchange differences | – | – | – | 6,840 |
| Cumulative share of unrecognised losses | – | – | 1,420,933 | 922,579 |
| Closing net assets at 31 December | 874,726 | 1,081,550 | – | – |
| Group's interest in associates | 50% | 50% | 45% | 45% |
| Interest in associates | 437,363 | 540,775 | – | – |
| Impairment loss | – | (59,272) | – | – |
| Carrying value at 31 December | 437,363 | 481,503 | – | – |

Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Aggregate carrying amount of individually immaterial associates | 641 | 1,251 |
| Aggregate amounts of the Group's share of: | | |
| Profit from continuing operations | – | 414 |
| Other comprehensive income | – | – |
| Total comprehensive income | – | 414 |

## 15. INVESTMENT SECURITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Listed equity securities | | | | |
| At 1 January | 220,054 | 413,827 | 132,614 | 267,391 |
| Fair value gain/(loss) | | | | |
| - recognised in other comprehensive income (ii) | 100,631 | (193,773) | 107,365 | (134,777) |
| Disposal during the year | (239,979) | – | (239,979) | – |
| At 31 December | 80,706 | 220,054 | – | 132,614 |
| Unlisted equity securities | | | | |
| At 1 January | 159,437 | 94,105 | 42,677 | 45,769 |
| Addition during the year | – | 6,738 | – | 6,738 |
| Reclassified from investment in associates (Note 14) | – | 76,456 | – | – |
| Disposal during the year | (44,426) | – | (44,426) | – |
| Capital return | – | (2,361) | – | (2,361) |
| Fair value gain/(loss) | | | | |
| - recognised in other comprehensive income (i) | 2,174 | (15,501) | 1,749 | (7,469) |
| Exchange differences | 1,791 | – | – | – |
| At 31 December | 118,976 | 159,437 | – | 42,677 |
| Unquoted debt securities | | | | |
| At 1 January | 93,228 | 95,283 | – | – |
| Addition during the year | 3 | 721 | – | – |
| Redemption during the year | (49,590) | (2,776) | – | – |
| At 31 December | 43,641 | 93,228 | – | – |
| Total | 243,323 | 472,719 | – | 175,291 |

Financial assets at fair value through other comprehensive income comprise investments in equity securities of listed and non-listed companies which were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group holds non-controlling equity interests of up to 14% each in 2 (2020: 3) listed equity securities. In addition, the Group also holds non-controlling equity interest of 2% in an unlisted equity security.

(i) During the financial year, the Company disposed its investment in an unlisted equity securities at its market value.

(ii) On 5 August 2021, the Company completed its divestment of 3,333,333 common shares, representing 10.94% of the outstanding shareholding of Fly Leasing to Carlyle Aviation Elevate Ltd for USD56.8 million (equivalent to RM240 million).

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 16. INTANGIBLE ASSETS

| Group | Goodwill RM'000 | Landing rights RM'000 | Developed software RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2021 | 168,827 | 443,900 | 29,779 | 642,506 |
| Additions | – | – | 2,327 | 2,327 |
| Acquisition of a subsidiary | 191,207 | – | 5,432 | 196,639 |
| At 31 December 2021 | 360,034 | 443,900 | 37,538 | 841,472 |
| **Accumulated amortisation** | | | | |
| At 1 January 2021 | – | – | (1,953) | (1,953) |
| Amortisation expense | – | – | (975) | (975) |
| At 31 December 2021 | – | – | (2,928) | (2,928) |
| **Accumulated impairment** | | | | |
| During the year and as at 31 December 2021 | (5,094) | – | – | (5,094) |
| **Carrying amount as at 31 December 2021** | 354,940 | 443,900 | 34,610 | 833,450 |

| Group | Goodwill RM'000 | Landing rights RM'000 | Developed software RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2020 | 168,827 | 443,900 | 23,968 | 636,695 |
| Additions | – | – | 5,811 | 5,811 |
| At 31 December 2020 | 168,827 | 443,900 | 29,779 | 642,506 |
| **Accumulated amortisation** | | | | |
| At 1 January 2020 | – | – | (1,671) | (1,671) |
| Amortisation expense | – | – | (282) | (282) |
| At 31 December 2020 | – | – | (1,953) | (1,953) |
| **Carrying amount as at 31 December 2020** | 168,827 | 443,900 | 27,826 | 640,553 |

### Landing rights

Landing rights relate to traffic rights and landing slots for destinations operated by IAA and PAA. As explained in Note 2.6.2(ii), the useful life of these landing rights is estimated to be indefinite.

## 16. INTANGIBLE ASSETS (CONT'D.)

**Impairment testing for goodwill and landing rights**

The carrying amounts of goodwill and landing rights allocated to the Group's cash generating units ("CGUs") are as follows:

| | Goodwill | | Landing rights | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| **CGU** | | | | |
| BIG | 102,926 | 102,926 | – | – |
| IAA | 38,394 | 38,394 | 374,600 | 374,600 |
| PAA | – | – | 69,300 | 69,300 |
| AAAGL | 7,334 | 7,334 | – | – |
| BigPay | 5,275 | 5,275 | – | – |
| Rokki | – | 5,094 | – | – |
| AA.Com | 9,804 | 9,804 | – | – |
| Velox | 160,733 | – | – | – |
| DeliverEat | 30,474 | – | – | – |
| | 354,940 | 168,827 | 443,900 | 443,900 |

During the year, the Group impaired the full carrying amount of goodwill in relation to Rokki.

The recoverable amounts of the CGUs have been measured based on their value in use which is based on calculations using cash flow projections from financial budgets approved by the management covering a five-year period. The discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate the cash flows beyond the five-year period are as follows:

| | Growth rates | | Discount rates | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| **CGU** | | | | |
| BIG | 0% | 0% | 20% | 20% |
| IAA | 2% | 2% | 12% | 12% |
| PAA | 2% | 2% | 9% | 9% |
| Velox | 0% | – | 25% | – |
| Delivereat | 0% | – | 25% | – |

The calculation of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates: The forecasted growth rate is based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGU.

Discount rates: Discount rate reflects management's estimate of the risks specific to this entity. In determining appropriate discount rate, consideration has been given to the applicable weighted average cost of capital.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 16. INTANGIBLE ASSETS (CONT'D.)

**Impairment testing for goodwill and landing rights (cont'd.)**

The recoverable amount of the IAA CGU is within level 3 of the fair value hierarchy. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement:

| Description | Unobservable inputs* | Inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|
| IAA | Discount rate | 12.1% | Increased discount rate of 1% would decrease fair value by RM132,000,000 |
| | Long-term growth rate per annum | 2% | Decreased long-term growth rate by 1% would decrease the fair value by RM80,000,000 |

* *There were no significant inter-relationships between unobservable inputs that materially affect the fair value.*

Based on the assessments performed, there is no impairment of goodwill and landing rights attributable to the CGUs. The management believes that no reasonably possible change in the key assumptions disclosed above used to determine the CGUs' recoverable amounts, including goodwill, would cause its carrying amounts to materially exceed its recoverable amounts.

The calculation of recoverable amounts of the CGUs which have been measured based on their value in use as described above has been made based on conditions existing at 31 December 2021 and has taken into consideration the impacts of the COVID-19 pandemic. There is a significant risk that the assumptions on revenue per passenger, load factor, discount rates and growth rate applied in the goodwill impairment assessment would need to be revised, depending on industry developments which may result in a material adjustment to the carrying amounts of the goodwill.

## 17. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

| | Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| At beginning of year | 756,023 | 1,046,551 |
| Recognised in profit or loss (Note 9) | (140,765) | (318,826) |
| Recognised in other comprehensive income | (11,955) | 23,679 |
| Issuance of RCUIDS | (32,892) | - |
| Exchange differences | (1,128) | 4,619 |
| At end of year | 569,283 | 756,023 |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | 738,760 | 774,155 |
| Deferred tax liabilities | (169,477) | (18,132) |
| | 569,283 | 756,023 |

| | Company | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| At beginning of year | - | - |
| Issuance of RCUIDS | (32,892) | |
| At end of year | (32,892) | |
| Deferred tax liability | (32,892) | |

## 17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The movements in the deferred tax assets and liabilities of the Group during the financial year are as follows:

**Deferred tax assets of the Group:**

| | Unabsorbed investment tax allowances RM'000 | Unabsorbed capital allowances RM'000 | Sales in advance RM'000 | Derivatives RM'000 | Unutilised tax losses RM'000 | Provision for retirement benefits RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | 625,529 | 69,011 | 137,155 | 24,656 | 137,905 | 13,652 | 16,290 | 1,024,198 |
| Recognised in profit or loss | - | 4,576 | - | - | (78,617) | (3,806) | (31,142) | (108,989) |
| Recognised in other comprehensive income | - | - | - | (12,008) | - | 53 | - | (11,955) |
| Exchange differences | - | - | - | - | - | - | (1,128) | (1,128) |
| **At 31 December 2021** | 625,529 | 73,587 | 137,155 | 12,648 | 59,288 | 9,899 | (15,980) | 902,126 |
| **At 1 January 2020** | 706,000 | 339,967 | 162,825 | (647) | 29,067 | 13,726 | 19,993 | 1,270,931 |
| Recognised in profit or loss | (80,471) | (270,956) | (25,670) | 1,107 | 104,219 | 443 | (3,703) | (275,031) |
| Recognised in other comprehensive income | - | - | - | 24,196 | - | (517) | - | 23,679 |
| Exchange differences | - | - | - | - | 4,619 | - | - | 4,619 |
| **At 31 December 2020** | 625,529 | 69,011 | 137,155 | 24,656 | 137,905 | 13,652 | 16,290 | 1,024,198 |

* *Others include provisions and receivables.*

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows:

**Deferred tax liabilities of the Group:**

| | Property, plant and equipment RM'000 | Fair value on intangible assets RM'000 | Payables RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 January 2021** | (25,947) | (114,440) | (123,882) | (3,906) | (268,175) |
| Recognised in profit or loss | (31,776) | - | - | - | (31,776) |
| Issurance of RCUIDS | - | - | - | (32,892) | (32,892) |
| **At 31 December 2021** | (57,723) | (114,440) | (123,882) | (36,798) | (332,843) |
| **At 1 January 2020** | (34,168) | (114,440) | (71,219) | (4,553) | (224,380) |
| Recognised in profit or loss | 8,221 | - | (52,663) | 647 | (43,795) |
| **At 31 December 2020** | (25,947) | (114,440) | (123,882) | (3,906) | (268,175) |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax has not been recognised for the following items:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Deferred revenue | 36,514 | 95,113 |
| Deferred breakage | 15,604 | 18,589 |
| Provisions and others | 1,520,415 | 1,561,111 |
| Unabsorbed capital allowances | 2,001,376 | 1,977,515 |
| Unutilised tax losses | 2,678,192 | 2,256,235 |
| Unutilised investment tax allowances | 1,948,571 | 2,083,333 |
| | 8,200,672 | 7,991,896 |

The recognised deferred tax assets is able to be utilised against future taxable profits of the subsidiaries. The deferred tax assets in respect of the above items, which have not been recognised, arose from subsidiaries, as it is expected that it will not be utilised against future taxable profits.

As disclosed in Note 3.3 in respect of critical accounting estimates and judgments, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

## 18. RECEIVABLES AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Non-current:** | | | | |
| Other receivables* | 340,687 | 351,758 | - | - |
| Less: Allowance for impairment | (340,687) | (340,687) | - | - |
| | - | 11,071 | - | - |
| Prepayments | 3,185,181 | 2,717,116 | - | - |
| Deposits | 414,233 | 378,754 | - | - |
| | 3,599,414 | 3,106,941 | - | - |
| **Current:** | | | | |
| Trade receivables | 431,269 | 429,194 | - | - |
| Less: Allowance for impairment | (123,598) | (120,623) | - | - |
| | 307,671 | 308,571 | - | - |
| Other receivables | 134,780 | 294,755 | - | 17 |
| Less: Allowance for impairment | (3,839) | (3,733) | - | - |
| | 130,941 | 291,022 | - | 17 |
| Prepayments | 54,541 | 290,821 | 80 | 1 |
| Deposits | 115,252 | 214,655 | - | - |
| | 608,405 | 1,105,069 | 80 | 18 |

(a) Included in non-current other receivables is a receivable of IDR1,187 billion (equivalent to RM340.7 million) arising from the disposal of a perpetual capital security which has been fully impaired in prior year.

(b) Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider.

(c) Deposits of the Group at the balance sheet date are with a number of external parties for which there is no expectation of default. The deposits include amount set aside for aircraft maintenance of major components amounting to RM198 million (2020: RM239 million).

Credit terms of trade receivables range from 30 to 60 days (2020: 30 to 60 days).

## 18. RECEIVABLES AND PREPAYMENTS (CONT'D.)

Movements on the allowance for impairment of other receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| At 1 January | 344,420 | – | – | – |
| Impairment (Note 6) | 106 | 344,420 | – | – |
| At 31 December | 344,526 | 344,420 | – | – |

The ageing analysis of trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Current** | 77,914 | 22,345 | – | – |
| 1 to 90 days | 33,760 | 46,629 | – | – |
| 91 to 120 days | 3,124 | 5,334 | – | – |
| 121 to 180 days | 5,716 | 6,684 | – | – |
| 181 to 365 days | 14,575 | 32,116 | – | – |
| Over 365 days | 296,180 | 316,086 | – | – |
| | 431,269 | 429,194 | – | – |

Credit terms of trade receivables range from 30 to 60 days (2020: 30 to 60 days).

(a) Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired of RM77.9 million (2020: RM22.3 million) are substantially due from companies with good collection track records with the Group.

(b) Trade receivables that are past due but not impaired

Trade receivables for the Group of RM353 million (2020: RM407 million) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

(c) Trade receivables that are impaired

Movements on the allowance for impairment of trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| At 1 January | 120,623 | 77,128 | – | – |
| Reversal (Note 6) | – | (6,218) | – | – |
| Impairment (Note 6) | 2,975 | 53,539 | – | – |
| Write off | – | (3,826) | – | – |
| At 31 December | 123,598 | 120,623 | – | – |

The individually impaired trade receivables are mainly related to disputed balances with customers or balances for which management is of the view that the amounts may not be recoverable.

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 18. RECEIVABLES AND PREPAYMENTS (CONT'D.)

Deposits of the Group at the balance sheet date are with a number of external parties for which there is no expectation of default. The deposits include amount set aside for aircraft maintenance of major components amounting to RM198 million (2020: RM239 million).

Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The currency profile of receivables and deposits (excluding prepayments) is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Ringgit Malaysia | 237,448 | 107,979 | - | 17 |
| US Dollar | 546,254 | 931,198 | - | - |
| Others | 184,395 | 164,896 | - | - |
| | 968,097 | 1,204,073 | - | 17 |

## 19. DEPOSITS ON AIRCRAFT PURCHASE

Deposits on aircraft purchases represent refundable deposits paid for aircraft to be delivered to the Group. These deposits are denominated in US Dollars.

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | **Assets RM'000** | **Liabilities RM'000** | **Assets RM'000** | **Liabilities RM'000** |
| **Non-current** | | | | |
| Interest rate swaps | | | | |
| - held for trading | - | (32,785) | - | (64,818) |
| RCUIDS | | | | |
| - early redemption option | 165,397 | - | - | - |
| Total | 165,397 | (32,785) | - | (64,818) |
| **Current** | | | | |
| Commodity derivatives | | | | |
| - cash flow hedges | - | - | 77,808 | (134,655) |

| | Company | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| **Non-current asset** | | |
| RCUIDS | | |
| - early redemption option | 165,397 | - |

## 20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting.

During the financial year, the Group recognised a loss of RM88.9 million (2020: RM360.5 million) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate, changes in yield curve and changes in market price of fuel. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 40(e).

| | Group | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Notional amount RM'000 | Fair value RM'000 | Notional amount RM'000 | Fair value RM'000 |
| Interest rate swaps | 688,280 | (32,785) | 734,257 | (64,818) |
| Commodity derivatives | - | - | 1,268,496* | (56,847) |

* *in barrels*

(i) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2021 were RM688 million (2020: RM734 million).

As at 31 December 2021, the Group has not hedged any of its existing USD aircraft loans (2020: Nil).

(ii) Fuel contracts

As at 31 December 2021, there is no outstanding fuel derivative contracts (2020: 1.3 million barrels).

(iii) Early Redemption Option

The RCUIDS issued by the Group as disclosed in Note 34 below allows for an option of refinancing the debt at a price of 105% of the principal which will provide future savings to the Group.

## 21. INVENTORIES

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| **At cost** | | |
| Consumables, in-flight merchandise and others | 153,600 | 141,421 |

During the year, the amount of the inventories recognised in operating expenses of the Group was RM22 million (2020: 77 million).

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Amount due from subsidiaries | | |
| - current | 1,091,879 | 545,558 |
| Amounts due to subsidiaries | | |
| - current | (213,099) | (462,178) |

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

The details of the receivables and payables from/(to) subsidiaries are as follows:

| | Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Receivables: | | |
| - AAIL | 617,948 | 270,072 |
| - AAD | 458,326 | 275,328 |
| - Others | 15,605 | 158 |
| | 1,091,879 | 545,558 |
| Payables: | | |
| - AAB | (201,956) | (459,002) |
| - Others | (11,143) | (3,176) |
| | (213,099) | (462,178) |

The currency profile of amounts due from/(to) subsidiaries are as follows:

| | Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Due from | | |
| Ringgit Malaysia | 496,228 | 363,511 |
| US Dollar | 595,651 | 182,047 |
| | 1,091,879 | 545,558 |
| Due to | | |
| Ringgit Malaysia | (201,958) | (254,823) |
| US Dollar | (9,140) | (202,903) |
| Thai Baht | (2,001) | (4,452) |
| | (213,099) | (462,178) |

## 23. AMOUNTS DUE FROM/(TO) ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Amounts due from associates | 317,534 | 624,456 | 213,543 | 213,710 |
| Less: Allowance for impairment | (250,249) | (264,071) | (203,283) | (213,710) |
| | 67,285 | 360,385 | 10,260 | – |
| Amounts due to associates | | | | |
| – current | (43,297) | (35,907) | – | – |

The amounts due from/(to) associates are trade balances and are unsecured, interest free and repayable on demand except:

(a) loan to an associate of RM10 million for 3 years at an interest of 5%, repayable in 8 quarterly installments commencing April 2022; and

(b) in prior year, loan of JPY3 billion (equivalent to RM114.9 million) to AAJ, which bears interest of 8% per annum and another loan of USD12 million (equivalent to RM50.5 million) to AAJ which bore interests of 6% per annum. The loan of JPY3 billion was fully repaid in prior year whilst the USD12 million loan has been fully impaired.

(i) Financial assets that are neither past due nor impaired

Amounts due from associates that are neither past due nor impaired of the Group amounted to RM30 million (2020: RM244 million).

(ii) Financial assets that are past due and not impaired

Amounts due from associates that are past due and not impaired of the Group amounted to RM37 million (2020: RM116 million).

(iii) Financial assets that are impaired

Amounts due from associates that are past due and impaired amounted to RM250 million (2020: RM264 million).

Movements on allowance for impairment of amounts due from associates are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| At 1 January | 264,071 | – | 213,710 | – |
| Allowance for impairment (Note 6) | 15 | 264,071 | – | 213,710 |
| Reversal (Note 6) | (4,898) | – | (269) | – |
| Exchange differences | (8,939) | – | (10,158) | – |
| At 31 December | 250,249 | 264,071 | 203,283 | 213,710 |

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above.

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 23. AMOUNTS DUE FROM/(TO) ASSOCIATES (CONT'D.)

The details of the receivables from associates are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Receivables: | | | | |
| - TAA | 44,773 | 354,759 | 10,260 | - |
| - Others | 22,512 | 5,626 | - | - |
| | 67,285 | 360,385 | 10,260 | - |

The details of the payables to associates are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Payables: | | | | |
| - TAA | (35,499) | (29,652) | - | - |
| - AAJ | (744) | (727) | - | - |
| - GTR | (6,589) | (5,524) | - | - |
| - Others | (465) | (4) | - | - |
| | (43,297) | (35,907) | - | - |

The currency profile of the amounts due from/(to) associates are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Due from | | | | |
| US Dollar | 45,418 | 354,878 | 10,260 | - |
| Ringgit Malaysia | 7,117 | 3,380 | - | - |
| Others | 14,750 | 2,127 | - | - |
| | 67,285 | 360,385 | 10,260 | - |
| Due to | | | | |
| US Dollar | (36,243) | (30,383) | - | - |
| Ringgit Malaysia | (7,054) | (5,524) | - | - |
| | (43,297) | (35,907) | - | - |

## 24. AMOUNTS DUE FROM/(TO) RELATED PARTIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Amounts due from related parties | 703,663 | 750,368 | 1,787 | 637 |
| Less: Allowance for impairment | (569,510) | (643,321) | (637) | - |
| | 134,153 | 107,047 | 1,150 | 637 |
| Amounts due to related parties | | | | |
| - current | (129,717) | (49,923) | - | - |

The amounts due from/(to) related parties are trade balances and are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from related parties approximate their fair values.

In prior year, the Group wrote down the debt due from AirAsia X Berhad arising from their creditors restructuring scheme. The amount due from AirAsia X Berhad is current and relating to critical services from the Group during the transition period and its repayable immediately.

The other amounts due from related parties that is assessed as not recoverable had been impaired accordingly.

Movements on allowance for impairment amounts due from related parties are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| At 1 January | 643,321 | 28,133 | - | - |
| Allowance for impairment (Note 6) | 14,293 | 615,578 | 637 | - |
| Reversal | - | (390) | - | - |
| Write off | (89,128) | - | - | - |
| Exchange differences | 1,024 | - | - | - |
| At 31 December | 569,510 | 643,321 | 637 | - |

The details of the receivables and payables due from/(to) related parties (net of impairment) are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Receivables: | | | | |
| - AirAsia X Berhad | 18,262 | 5,887 | 18 | 637 |
| - PT Indonesia AirAsia Extra | 101,898 | 19,579 | - | - |
| - AAI | 10,085 | 73,831 | 1,132 | - |
| - Thai AirAsia X Co. Ltd | 3,882 | 6,052 | - | - |
| - Others | 26 | 1,698 | - | - |
| | 134,153 | 107,047 | 1,150 | 637 |
| Payables: | | | | |
| - AirAsia X Berhad | (9,516) | (7,042) | - | - |
| - Thai AirAsia X Co. Ltd | (944) | (980) | - | - |
| - PT Indonesia AirAsia Extra | (118,056) | (38,295) | - | - |
| - AAI | (844) | (3,605) | - | - |
| - Others | (357) | (1) | - | - |
| | (129,717) | (49,923) | - | - |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 24. AMOUNTS DUE FROM/(TO) RELATED PARTIES (CONT'D.)

The currency profile of amounts due from/(to) related parties are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Due from | | | | |
| Ringgit Malaysia | 18,281 | 7,577 | 18 | 637 |
| US Dollar | 115,872 | 83,033 | 1,132 | – |
| Others | – | 16,437 | – | – |
| | 134,153 | 107,047 | 1,150 | 637 |
| Due to | | | | |
| Ringgit Malaysia | – | (7,043) | – | – |
| Indonesian Rupiah | (125,103) | (38,295) | | |
| US Dollar | (4,614) | (4,585) | – | – |
| | (129,719) | (49,923) | – | – |

## 25. DEPOSITS, CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Deposits with licensed banks | 9,344 | 30,893 | 100 | – |
| Cash and bank balances | 1,247,409 | 502,385 | 561,787 | 859 |
| Deposits, cash and bank balances | 1,256,753 | 533,278 | 561,887 | 859 |
| Deposits with licensed banks with maturity period of more than 3 months | (1,077) | (1,068) | – | – |
| Deposits pledged as securities and restricted cash | (77,745) | (66,305) | – | – |
| Cash and cash equivalents | 1,177,931 | 465,905 | 561,887 | 859 |

The currency profile of deposits, cash and bank balances are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Ringgit Malaysia | 1,198,396 | 239,343 | 561,814 | 67 |
| US Dollar | 23,290 | 215,539 | 57 | 792 |
| Chinese Renminbi | 5,840 | 12,836 | – | – |
| Others | 29,227 | 65,560 | 16 | – |
| | 1,256,753 | 533,278 | 561,887 | 859 |

## 25. DEPOSITS, CASH AND BANK BALANCES (CONT'D.)

Short-term deposits are made for varying period of twelve months (2020: varying periods of eight days and twelve months) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The weighted average effective annual interest rates of deposits at the balance sheet dates are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 % | 2020 % | 2021 % | 2020 % |
| Deposits with licensed banks | 1.83 | 1.22 | – | – |

## 26. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Non-current:** | | | | |
| Other payables | 292,691 | 273,455 | – | – |
| **Current:** | | | | |
| Trade payables | 1,306,412 | 1,419,866 | 146 | 44 |
| Accrual for fuel | 77,236 | 5,286 | – | – |
| Other payables and accruals | 925,249 | 1,083,748 | 7,520 | 7,165 |
| | 2,308,897 | 2,508,900 | 7,666 | 7,209 |

The current other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

The currency profile of trade and other payables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Ringgit Malaysia | 819,583 | 1,086,101 | 7,300 | 7,209 |
| US Dollar | 797,871 | 1,294,310 | 166 | – |
| Others | 984,134 | 401,944 | 200 | – |
| | 2,601,588 | 2,782,355 | 7,666 | 7,209 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 27. AIRCRAFT MAINTENANCE PROVISIONS AND LIABILITIES

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Aircraft maintenance provisions (i) | 1,480,248 | 1,367,752 |
| Aircraft maintenance payables (ii) | 2,501,966 | 2,377,065 |
| Aircraft maintenance reserve fund (iii) | 1,855,056 | 1,824,239 |
| | 5,837,270 | 5,569,056 |

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Disclosed as | | |
| Non-current | 4,860,637 | 4,857,292 |
| Current | 976,633 | 711,764 |
| | 5,837,270 | 5,569,056 |

(i) Aircraft maintenance provisions relate to aircraft held under operating lease arrangements whereby, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

The movements in the aircraft maintenance provisions of the Group during the financial year are as follows:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| At 1 January | 1,367,752 | 1,274,338 |
| Arose during the year | 232,833 | 192,163 |
| Utilised | (120,337) | (98,749) |
| At 31 December | 1,480,248 | 1,367,752 |

(ii) Aircraft maintenance payables (which is estimated using flight hours and flight cycles of the aircraft at the date of disposal) relate to the amounts set aside from the disposal consideration for aircraft under operating lease where the Group is contractually obligated to return the aircraft at the end of the lease term in certain pre-agreed conditions.

(iii) Aircraft maintenance reserve funds relate to payments made by the lessee for maintenance activities to be undertaken during the lease period. The Group will reimburse the lessee for agreed maintenance work done as and when incurred. The Group records the amounts received as maintenance reserve funds. At the expiry of the lease term, any excess maintenance reserve is recognised in the profit and loss account.

## 28. BORROWINGS

| | Note | Group 2021 RM'000 | Group 2020 RM'000 |
|---|---|---|---|
| **Current** | | | |
| Term loans | (i) | 332,262 | 313,688 |
| Revolving credit | (i) | 85,010 | 120,000 |
| Swap creditors loan and deferral | (ii) | 219,896 | 582,624 |
| Convertible loan note | (iii) | 250,060 | - |
| | | 887,228 | 1,016,312 |
| **Non-current** | | | |
| Term loans | (i) | 600,224 | 266,447 |
| Swap creditors loan | (ii) | – | 6,110 |
| RCUIDS | (iv) | 822,437 | - |
| | | 1,422,661 | 272,557 |
| Total borrowings | | 2,309,889 | 1,288,869 |

(i) On 25 June 2021, a subsidiary of the Group drawdown short term working capital loan from a non financial institution amounting to USD25 million at interest rate of LIBOR+2.5% per annum to be repayable on 31 December 2021. The term of repayment is subsequently deferred to the second quarter of 2022.

On 28 October 2021, a subsidiary of the Group obtained a working capital loan from a non financial institution amounting to USD150 million at interest rate of 11.75% per annum of which USD100 million have been drawn as at 31 December 2021. The working capital loan interest payable quarterly and a bullet repayment at the end of the 60 months after the first drawdown.

In the previous financial year, certain subsidiaries of the Group drawdown a term loan of RM280 million with a revolving credit of RM20 million at an interest rate of 7% per annum to be utilised as follows:

- RM170 million to establish and operate OURFARM digital food supply chain and cold chain facilities in Sabah;
- RM110 million to part-finance the project to turn Kota Kinabalu International Airport into an international hub;
- RM10 million revolving credit to enhance e-commerce platforms and marketability of Sabah products; and
- RM10 million revolving credit to further promote Sabah tourism destinations on airasia.com, the digital super app of AirAsia.

The term loans are secured against the following:

- Assignment of pre delivery deposits;
- Charged over the intellectual property of the "AirAsia" brand
- Charged over shares of certain of the subsidiaries within the Group; and
- Assignment of an office building in Indonesia.

(ii) In prior financial year, the Group unwound and restructured its exposure in hedges through financing the commodity hedging contracts settlement either via deferral instalment payments or conversion into working capital loan.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 28. BORROWINGS (CONT'D.)

(iii) On 6 August 2021, a subsidiary of the Group secured an investment of up to USD100 million (equivalent to RM415 million) convertible loan notes at a coupon of 6% from SK Group, a South Korean conglomerate. The Convertible loan notes will be converted into preference shares within one year upon approval obtained from regulators.

(iv) On 31 December 2021, the Company completed the renounceable rights issue ("Rights Issue") of RM974,513,219 in nominal value of 7-year redeemable convertible unsecured islamic debt securities ("RCUIDS") at nominal value of RM0.75 each based on the Shariah principal of Murabahah (via Tawarruq Arrangement") comprising 1,299,350,959 RCUIDS together with 649,675,479 free detachable warrants ("Warrants") on the basis of 2 RCUIDS with 1 warrant for every 6 ordinary shares in the Company following the listing and quotation on the Main Market of Bursa Securities. The Rights Issue is constituted by a trust deed dated 18 November 2021.

The salient features of the RCUIDS are as follows:

(a) The profit rate for the RCUIDS is 8% per annum, computed based on the nominal value of the outstanding RCUIDS and payable quarterly in arrears;

(b) The RCUIDS shall be convertible into new ordinary shares of the Company by surrendering for cancellation RM0.75 nominal value of one RCUIDS for one new ordinary share of the Company at any time on and after 31 December 2021 ("Issue Date") up to 31 December 2028 ("Maturity Date");

(c) The new ordinary shares to be issued upon conversion of the RCUIDS shall, upon allotment and issuance, rank equally in all respects with the then existing ordinary shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which the entitlement date precedes the allotment date of the new ordinary shares allotted pursuant to the conversion of the RCUIDS;

(d) The Company shall redeem annually 25% of the outstanding RCUIDS, which have not been converted or redeemed, commencing on the 4th anniversary from the Issue Date and annually thereafter until the 7th anniversary.

(e) The Company may make an early redemption of the outstanding RCUIDS in whole on the 4th anniversary of the Issue Date. The redemption amount shall be based on 105% of the nominal value of the RCUIDS (excluding the relevant annual redemption amount on the 4th anniversary of the Issue Date).

The liability component of the RCUIDS is recognised in the statements of financial position as follows:

| **Group and Company** | **2021 RM'000** |
|---|---|
| Carrying amount as at 1 January | – |
| Proceeds from issuance of 1,299,350,959 RCUIDS and free warrants | 974,513 |
| Amount classified as equity: | |
| RCUIDS reserves | (154,360) |
| Warrant reserves | (112,736) |
| Amount classified as deferred tax liabilities | (32,892) |
| Amount classified as derivative financial assets | 165,397 |
| Transaction costs | (17,485) |
| Carrying amount as at 31 December | 822,437 |

## 28. BORROWINGS (CONT'D.)

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **%** | **%** |
| **Weighted average interest rate** | | |
| Term loans | 6.26 | 6.17 |
| Revolving credit | 5.92 | 4.39 |
| Swap creditors loan | 5.39 | 6.39 |
| Convertible loan note | 6.00 | - |
| RCUIDS | 8.00 | - |

The borrowings are repayable as follows:

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM'000** | **RM'000** |
| Not later than 1 year | 887,228 | 1,016,312 |
| Later than 1 year and not later than 5 years | 963,986 | 164,469 |
| Later than 5 years | 458,675 | 108,088 |
| | 2,309,889 | 1,288,869 |

The currency profile of borrowings is as follows:

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM'000** | **RM'000** |
| Ringgit Malaysia | 1,063,082 | 429,367 |
| US Dollar | 1,120,232 | 730,108 |
| Philippine Peso | 79,763 | 83,541 |
| Indonesia Rupiah | 46,812 | 45,853 |
| | 2,309,889 | 1,288,869 |

Total borrowings as at reporting date consist of the following banking facilities:

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM'000** | **RM'000** |
| Fixed rate borrowings | 2,130,121 | 1,117,402 |
| Floating rate borrowings | 179,768 | 171,467 |
| | 2,309,889 | 1,288,869 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 28. BORROWINGS (CONT'D.)

The carrying amounts and fair values of the fixed rate borrowings are as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| Term loans | 857,168 | 860,257 | 408,668 | 387,367 |
| Revolving credit | 85,010 | 85,010 | 120,000 | 120,000 |
| Swap creditors loan | 219,896 | 219,896 | 588,734 | 588,734 |
| Convertible loan note | 250,060 | 250,060 | – | – |
| RCUIDS | 822,437 | 822,437 | – | – |
| | 2,234,571 | 2,237,660 | 1,117,402 | 1,096,101 |

The fair values of the floating rate borrowings approximate their carrying amounts, as the impact of discounting is not significant.

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's credit risk at the balance sheet date, at 2.76% to 11.75% (2020: 4.90% to 7.23%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

## 29. LEASES

### Group as a lessee

The Group leases various aircraft, spare engines and land and building. Leases of aircraft and spare engines have a lease term of 2 to 19 years (2020: 2 to 15 years) whilst land and building generally have a lease term of 2 to 20 years (2020: 2 to 20 years).

The Group also has certain leases of property, plant and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of ROU assets recognised and the movements during the year:

| | Aircraft and spare engines RM'000 | Land and building RM'000 | Total RM'000 |
|---|---|---|---|
| As at 1 January 2021 | 9,403,629 | 41,317 | 9,444,946 |
| Additions | 623,872 | 31,848 | 655,720 |
| Modifications | 1,066,377 | – | 1,066,377 |
| Depreciation | (1,640,531) | (15,356) | (1,655,887) |
| Exchange movements | 239,555 | – | 239,555 |
| As at 31 December 2021 | 9,692,902 | 57,809 | 9,750,711 |
| As at 1 January 2020 | 11,170,143 | 45,811 | 11,215,954 |
| Additions | 575,351 | – | 575,351 |
| Modifications | (93,632) | – | (93,632) |
| Depreciation | (1,915,773) | (6,305) | (1,922,078) |
| Impairment loss (Note 6) | (552,290) | – | (552,290) |
| Exchange movements | 219,830 | 1,811 | 221,641 |
| As at 31 December 2020 | 9,403,629 | 41,317 | 9,444,946 |

## 29. LEASES (CONT'D.)

**Group as a lessee (cont'd.)**

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| As at 1 January | 12,435,240 | 12,459,801 |
| Additions | 277,359 | 482,919 |
| Accretion of interest (Note 8(b)) | 500,044 | 578,211 |
| Payments | (423,777) | (880,201) |
| Modifications | 1,170,803 | (93,632) |
| Exchange movements | 335,625 | (111,858) |
| As at 31 December | 14,295,294 | 12,435,240 |
| Current | 3,905,769 | 3,247,138 |
| Non-current | 10,389,525 | 9,188,102 |
| | 14,295,294 | 12,435,240 |

The maturity analysis of lease liabilities are disclosed in Note 40 (c).

The following are the amounts recognised in profit or loss:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Depreciation of right-of-use assets | 1,655,887 | 1,922,078 |
| Interest expense on lease liabilities | 500,044 | 578,211 |
| Expense relating to short-term leases | 11,192 | 14,361 |
| Impairment of right-of-use assets | – | 552,290 |
| Impairment of finance lease receivables | 2,856 | 90,035 |
| Loss on recognition of finance lease receivables | 41,187 | – |
| **Total amount recognised in profit or loss** | 2,211,166 | 3,156,975 |

The Group had total cash outflows for leases of RM423 million in 2021 (2020: RM880 million). The Group also had non-cash additions to ROU assets and lease liabilities of RM656 million (2020: RM575 million) and RM277 million (2020: RM483 million), respectively. Included in lease liabilities are lease rentals payables amounting to approximately RM2,212 million (2020: RM1,511 million).

In 2021, modifications represents change in lease terms and consideration of aircraft lease agreements from certain lessors. These modifications are negotiated by the Group to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

**Impairment testing on right-of-use assets**

During the year, the impairment loss of RM552.3 million relates to the write-down of certain right-of-use assets to the recoverable amount as a result of the COVID-19 pandemic. This was recognised in the income statement as other operating expenses.

The recoverable amounts were based on value in use as at 31 December 2021 and determined at the level of the CGUs of the airline operating centres in the respective countries that the Group is operating in. The recoverable amounts of the CGUs have been measured based on cash flow projections approved by the management. The airline CGU comprise right-of-use assets and aircraft related property, plant and equipment.

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 29. LEASES (CONT'D.)

**Impairment testing on right-of-use assets (cont'd.)**

The discount rates applied to the cash flow projections ranged from 9% to 13.5% with the assumption of gradual recovery to pre-covid levels over the next few years. The assumptions used to determine the recoverable amounts include revenue per passenger, load factor and growth rate which may change significantly depending on the recovery of the aviation industry in the respective countries, regionally and internationally.

**Group as a lessor - finance lease**

The Group has classified most of its aircraft subleases as finance leases because the sublease is for the whole of the remaining term of the head lease. During the financial year, the movement on the finance lease receivables are as follows:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| As at 1 January | 938,165 | 1,221,000 |
| Modifications during the year | (377,343) | (92,433) |
| Lease payments received during the financial year | (102,440) | (134,128) |
| Finance income | 16,143 | 50,768 |
| Impairment loss (Note 6) | (2,856) | (90,035) |
| Exchange movements | 18,708 | (17,007) |
| As at 31 December | 490,377 | 938,165 |
| Current | 224,144 | 432,666 |
| Non-current | 266,233 | 505,499 |
| | 490,377 | 938,165 |

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Within one year | 117,528 | 473,667 |
| After one year but not more than five years | 314,861 | 472,567 |
| More than five years | 195,174 | 98,072 |
| Total undiscounted lease payments receivable | 627,563 | 1,044,306 |
| Unearned finance income | (137,186) | (106,141) |
| Net investment in the lease | 490,377 | 938,165 |

**Group as a lessor - operating lease**

The Group has classified various aircraft leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Within one year | - | 22,319 |
| After one year but not more than five years | - | - |
| Total undiscounted lease payments | - | 22,319 |

## 29. LEASES (CONT'D.)

**Group as a lessor - operating lease (cont'd.)**

Lease income from lease contracts in which the Group acts as a lessor:

| | 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| **Finance lease** | | |
| - Finance income on the finance lease receivables | 16,143 | 50,768 |
| **Operating lease** | | |
| - Aircraft operating lease income | 153,290 | 55,968 |

## 30. PROVISION FOR RETIREMENT BENEFITS

The Group has unfunded, non-contributory and actuarially computed retirement benefit plans which provide retirement benefits to employees who reach the mandatory retirement age under the provisions of labour laws in Indonesia and the Philippines.

The amounts recognised in the statements of financial position as at 31 December are as follows:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Present value of defined benefit obligation | 81,084 | 97,667 |

The movements in the present value of defined benefit obligation for the year ended 31 December are as follows:

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| **Defined benefit obligation at 1 January** | 97,667 | 74,951 |
| Recognised in income statement | | |
| - Current service cost | 6,272 | 13,529 |
| - Interest cost | 5,350 | 5,431 |
| Benefits paid | (3,273) | (2,042) |
| Past service cost | (15,051) | (2,751) |
| Remeasurement (gain)/loss recognised in other comprehensive income | | |
| - Changes in financial assumptions | (12,152) | 8,899 |
| - Experience adjustments | (571) | (3,699) |
| Exchange differences | 2,842 | 3,349 |
| **Defined benefit obligation at 31 December** | 81,084 | 97,667 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 30. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)

The principal actuarial assumptions used for the year ended 31 December are as follows:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 4.99% - 7.49% | 3.8% - 7.8% |
| Salary increase rate per annum | 5% | 5% |
| Average employee service life | 19 - 25 years | 19 - 22 years |

**Sensitivity analysis**

As at 31 December, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption RM'000 | Decrease in assumption RM'000 |
| **2021** | | | |
| Annual discount rate | +/- 1% | (737) | 2,331 |
| Future annual salary increase rate | +/- 1% | 2,042 | (634) |
| **2020** | | | |
| Annual discount rate | +/- 1% | (9,797) | 12,040 |
| Future annual salary increase rate | +/- 1% | 11,709 | (9,757) |

## 31. SHARE CAPITAL

| | No. of shares | | Group/Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 RM'000 | 2020 RM'000 |
| **Ordinary shares** | | | | |
| **Issued and fully paid up:** | | | | |
| As at 1 January | 3,341,974 | 3,341,974 | 8,023,268 | 8,023,268 |
| Issued during the year | | | | |
| - Private placement | 470,214 | - | 336,464 | - |
| Less: transaction cost | - | - | (5,597) | - |
| - Acquisition of subsidiary | 85,865 | - | 103,037 | - |
| As at 31 December | 3,898,053 | 3,341,974 | 8,457,172 | 8,023,268 |

(i) Private placement

On 21 January 2021, the Company announced that it proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company or 668,394,816 shares ("Placement shares") ("Proposed Private Placement"). The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 and the "Additional Temporary Relief Measures to Listed Issuers" announced by Bursa Malaysia Securities Berhad ("Bursa") on 16 April 2020 which increased the prescribed limit under Paragraph 6.03 of the Main Market Listing Requirements from 10% to 20%. The Company has obtained approval from its shareholders for the 20% General Mandate at its Annual General Meeting held on 28 September 2020.

On 10 February 2021, the Company announced that the first tranche of placement shares of 369,846,852 is price fixed at RM0.675 per share. On 9 March 2021, the Company announced that the second tranche of placement shares of 100,367,362 is price fixed at RM0.865 per share. The above two tranches raised a total of RM336.46 million.

## 31. SHARE CAPITAL (CONT'D.)

(ii) Acquisition of subsidiary

On 22 March 2021, the Company entered into a Memorandum of Understanding with Aimia Holdings UK II Limited in relation to the proposed acquisition of the remaining 20% equity interest in BIGLIFE Sdn Bhd to be satisfied by the issuance of 85,864,583 ordinary shares in the Company to be allotted at an issue price of RM1.20 per share amounting to RM103 million (approximately USD25 million). On 21 June 2021 at the Extraordinary General Meeting, the above proposed acquisition was approved and BIGLIFE Sdn Bhd became a wholly owned subsidiary of the Group. The effect of the acquisition is reflected in the statement of changes in equity.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

## 32. SHARE-BASED PAYMENTS

**Long Term Incentive Scheme ("LTIS")**

On 2 August 2021, the Company implemented a LTIS comprising an Employee Share Option Scheme ("ESOS") and a Share Grant Scheme. The establishment of the LTIS, which involves up to 10% of the total number of issued shares of the Company at any point in time throughout the duration of the LTIS, is for the employees and directors of the Group who are eligible in accordance with the By-Laws governing the LTIS. The LTIS is administered by a committee appointed and duly authorised by the Board in accordance with the By-Laws.

The LTIS will be in force for a period of six (6) years commencing from 2 August 2021 and may be extended for a further period of up to 4 years immediately from the expiry of the first six years.

**ESOS**

On 3 August 2021, the Company granted 159,400,000 share options ("ESOS") pursuant to the LTIS to selected eligible employees and directors of the Group. The ESOS will be vested on a 3 year-cliff vesting, i.e. 100% will be vested on 31 August 2024, subject to the Company's share price performance. Employees must remain in service for a period of 3 years from the date of grant up to vesting date. The fair value of the ESOS is estimated at the date of grant using a Monte-Carlo simulation model blended with Black-Scholes model, taking into account the terms and conditions on which the ESOS were granted. The model simulates the share price and takes into account historical and expected dividends, risk-free rate, and the share price volatility of the Company so as to predict the share performance.

The exercise price of the ESOS is RM0.7425 which is equal to the 5-day Volume-weighted average market price ("VWAP") of the shares immediately preceding the date of the ESOS award, with a discount of not more than ten per cent (10%). The vesting period and exercise period of the ESOS will be limited to the duration that the LTIS is in force. There is no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

The expense recognised for employee services received during the year are as follows:

| | Group | Company |
|---|---|---|
| | **2021 RM'000** | **2021 RM'000** |
| Expense arising from equity-settled share-based payment transactions | 5,777 | 38 |

There were no cancellations or modifications to the award in 2021.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 32. SHARE-BASED PAYMENTS (CONT'D.)

**Movements during the year**

The following table illustrates the number of, and movements in, ESOS during the year.

| | 2021 '000 |
|---|---|
| Outstanding at 1 January | – |
| Granted during the year | 159,400 |
| Forfeited during the year | (7,800) |
| Outstanding at 31 December | 151,600 |

The fair value of options granted during the year was RM0.282.

The exercise price for ESOS outstanding at the end of the year was RM0.7425.

The following table list the inputs to the model used for the ESOS for the year ended 31 December 2021:

| | Share options granted on 3 August 2021 |
|---|---|
| Fair value at the measurement date (RM) | 0.282 |
| Expected volatility (%) | 53.874 |
| Risk-free interest rate per annum (%) | 2.242 |
| Expected life of ESOS (years) | 6 |
| Model used | Monte-Carlo blended with Black-Scholes |

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

## 33. MERGER DEFICIT

| | Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| As at 1 January and 31 December | (5,507,594) | (5,507,594) |

On 16 April 2018, the Company completed the internal reorganisation. Consequently, the merger deficit represents the difference between the purchase consideration to acquire AAB and the share capital of AAB.

Further, the Company has accounted for the acquisition of AAB Group as a continuation of the acquired entity. Therefore, the share capital of AAB is reflected as a merger reserve as at 31 December 2017.

## 34. RESERVES

| Group | Remeasurement gain on employee benefits liability RM'000 | Cash flow hedge reserve RM'000 | Fair value reserve RM'000 | Share option reserves RM'000 (Note 34.1) | RCUIDS reserves RM'000 (Note 34.2) | Warrant reserves RM'000 (Note 34.3) | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | (18,640) | (101,222) | (105,506) | - | - | - | (225,368) |
| Net change in fair value | 5,284 | 43,248 | 102,805 | - | - | - | 151,337 |
| Deferred tax recognised in other comprehensive income | 26 | (10,525) | - | - | - | - | (10,499) |
| Amounts transferred to income statements | - | - | - | - | - | - | - |
| Issuance of RCUIDS | - | - | - | - | 154,360 | 112,736 | 267,096 |
| Transfer of cash flow hedge reserves | - | - | - | - | - | - | - |
| Share-based payment expensed | - | - | - | 5,968 | - | - | 5,968 |
| Transfer of fair value reserve of disposed investment securities to retained earnings | - | - | (27,213) | - | - | - | (27,213) |
| **At 31 December 2021** | (13,330) | (68,499) | (29,914) | 5,968 | 154,360 | 112,736 | 161,321 |
| **At 1 January 2020** | 4,833 | 38,466 | 103,768 | - | - | - | 147,067 |
| Net change in fair value | (22,956) | (72,760) | (209,274) | - | - | - | (304,990) |
| Deferred tax recognised in other comprehensive income | (517) | 24,196 | - | - | - | - | 23,679 |
| Amounts transferred to income statements | - | (22,625) | - | - | - | - | (22,625) |
| Share of other comprehensive income of an associate | - | (68,499) | - | - | - | - | (68,499) |
| **At 31 December 2020** | (18,640) | (101,222) | (105,506) | - | - | - | (225,368) |

| Company | Fair value reserve RM'000 | Share option reserves RM'000 | RCUIDS reserves RM'000 | Warrant reserves RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 January 2021** | (81,901) | - | - | - | (81,901) |
| Net change in fair value | 81,901 | - | - | - | 81,901 |
| Issuance of RCUIDS | - | - | 154,360 | 112,736 | 267,096 |
| Implementation of LTIS | - | 6,044 | - | - | 6,044 |
| **At 31 December 2021** | - | 6,044 | 154,360 | 112,736 | 273,140 |
| **At 1 January 2020** | 60,345 | - | - | - | 60,345 |
| Net change in fair value | (142,246) | - | - | - | (142,246) |
| **At 31 December 2020** | (81,901) | - | - | - | (81,901) |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 34. RESERVES (CONT'D.)

### 34.1 Share option reserves

The share option reserves is used to recognise the value of equity-settled share based payments provided to selected eligible employees and directors of the Group, as part of their remuneration. Refer to Note 32 for further details of this plan.

### 34.2 RCUIDS reserves

The RCUIDS reserves comprise the equity component of the RCUIDS. It represents the residual of the RCUIDS after deducting the fair value of the liability component and the embedded derivative component. The amount is presented net of transaction costs and deferred tax liabilities.

During the financial year, no RCUIDS were converted into ordinary shares. The number of RCUIDS outstanding as at 31 December 2021 was 1,299,350,959.

### 34.3 Warrant reserves

On 31 December 2021, the Company issued 649,675,479 warrants ("Warrants") pursuant to the Rights Issue of RCUIDS. The Warrants is constituted by a deed poll dated 18 November 2021. The warrant reserve comprises the fair value of the free detachable warrants arising from the Rights Issue.

The salient features of the Warrants are as follows:

(a) Each Warrant entitles the registered holder to subscribe for one new ordinary share of the Company at an exercise price of RM1.00 per Warrant at any time during the period from 31 December 2021 up to expiry date of the Warrants on 31 December 2028;

(b) The new ordinary shares to be issued upon the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing ordinary shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which the entitlement date precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the Warrants;

(c) Any Warrants which have not been exercised at the expiry date of the Warrants on 31 December 2028 shall lapse and cease to be valid for any purposes.

As at 31 December 2021, 649,675,479 Warrants remain unexercised.

## 35. COMMITMENTS

Capital commitments not provided for in the financial statements are as follows:

| | Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| Property, plant and equipment: | | |
| - Approved and contracted for | 97,163,376 | 124,855,115 |

The approved and contracted for capital commitments for the Group are in respect of aircraft purchase. The future commitments of aircraft purchase are as follows:

| | Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| Not later than 1 year | - | - |
| Later than 1 year and not later than 5 years | 7,688,395 | 6,466,929 |
| Later than 5 years | 89,474,981 | 118,388,186 |
| | 97,163,376 | 124,855,115 |

## 36. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal management reporting provided to the Board of Directors. On 27 January 2022, the shareholders have approved the change of the Company name to Capital A Berhad. The change of name offers a better reflection of the Group's core business and its future undertakings in tandem with its rapid transformation as it has gone beyond its beginnings as an airline into a digital travel and lifestyle services group which continues to gain strong momentum. This structural change would help facilitate strong projected growth in the Group's portfolio businesses. It will also set the tone of the Group as it expands into new horizons and allay concerns of being a group that was intrinsically an airline.

Consequently, the segmental information provided to the Board of Directors of the Company had been improved to reflect the focus on portfolio of businesses. The comparative segmental information have been restated to reflect the current classification.

The segmental information provided to the CEO for the reportable segments are as follows:

| 2021 | Aviation RM'000 | Asia Digital Engineering RM'000 | SuperApp RM'000 | Teleport RM'000 | BigPay RM'000 | Others RM'000 | Total Segments RM'000 | Elimination adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1,573,022 | 101,333 | 150,016 | 551,231 | 21,615 | 15,574 | 2,412,791 | (576,605) | 1,836,186 |
| Staff costs | (485,307) | (72,215) | (113,338) | (37,800) | (28,828) | (59,714) | (797,202) | 1,564 | (795,638) |
| Fuel costs | (393,941) | - | - | - | - | - | (393,941) | - | (393,941) |
| Maintenance and overhaul | (811,808) | (5,795) | - | - | - | - | (817,603) | 336,984 | (480,619) |
| User charges and other related expenses | (228,940) | - | (34,010) | (574,062) | - | (50) | (837,062) | 76,525 | (760,537) |
| Other Operating expenses | (381,690) | (10,124) | (140,025) | (3,475) | (111,217) | (29,789) | (676,360) | 134,128 | (542,192) |
| Other income | 550,543 | - | (1,782) | 7,319 | 287 | 52 | 556,419 | (444,715) | 111,704 |
| EBITDA | (178,121) | 13,199 | (139,139) | (56,787) | (118,143) | (73,927) | (552,918) | (472,119) | (1,025,037) |
| Depreciation & amortisation | | | | | | | | | (1,820,572) |
| Interest expense | | | | | | | | | (679,807) |
| Interest income | | | | | | | | | 35,314 |
| Net fair value gains on derivatives | | | | | | | | | 31,377 |
| Share of results of associates/ joint venture | | | | | | | | | (45,227) |
| Foreign exchange loss | | | | | | | | | (71,084) |
| Loss before tax | | | | | | | | | (3,575,036) |
| Segment assets | 26,742,724 | 291,062 | 345,851 | 141,321 | 293,384 | 1,963,411 | 29,777,753 | (10,352,151) | 19,425,602 |
| Unallocated corporate assets | | | | | | | | | 165,397 |
| Associates | | | | | | | | | 438,004 |
| Joint ventures | | | | | | | | | 878 |
| Total assets | | | | | | | | | 20,029,881 |
| Segment total liabilities | 36,528,419 | 62,044 | 421,944 | 161,505 | 434,889 | 764,111 | 38,372,912 | (12,742,565) | 25,630,347 |
| Unallocated corporate liabilities | | | | | | | | | 822,437 |
| Total liabilities | | | | | | | | | 26,452,784 |

There is no single customer who contributed to 10% or more of the Group's total revenue.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 36. SEGMENTAL INFORMATION (CONT'D.)

The segmental information provided to the CEO for the reportable segments are as follows: (cont'd.)

| 2020 | Aviation RM'000 | Asia Digital Engineering RM'000 | SuperApp RM'000 | Teleport RM'000 | BigPay RM'000 | Others RM'000 | Total Segments RM'000 | Elimination adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 3,047,503 | 19,027 | 117,363 | 295,126 | 17,606 | 1,473 | 3,498,098 | (223,699) | 3,274,399 |
| Staff costs | (1,038,339) | (18,355) | (47,740) | (17,161) | (22,316) | (22,907) | (1,166,818) | 637 | (1,166,181) |
| Fuel costs | (1,962,679) | - | - | - | - | - | (1,962,679) | - | (1,962,679) |
| Maintenance and overhaul | (636,931) | - | - | - | - | - | (636,931) | 103,185 | (533,746) |
| User charges and other related expenses | (652,545) | - | (34,373) | (274,300) | - | (512) | (961,730) | 258,163 | (703,567) |
| Other operating expenses | (1,881,555) | (263) | (60,600) | (10,033) | (78,443) | (249,600) | (2,280,494) | (319,706) | (2,600,200) |
| Other income | 794,499 | - | 14,373 | 1,394 | 1 | 11,942 | 822,209 | (479,941) | 342,718 |
| EBITDA | (2,330,047) | 409 | (10,977) | (4,974) | (83,152) | (259,604) | (2,688,345) | (660,911) | (3,349,256) |
| Depreciation & amortisation | | | | | | | | | (2,072,998) |
| Interest expense | | | | | | | | | (713,651) |
| Interest income | | | | | | | | | 115,944 |
| Net fair value losses on derivatives | | | | | | | | | (141,953) |
| Share of results of associates/ joint venture | | | | | | | | | (63,515) |
| Gain on disposal of investment in an associate | | | | | | | | | 152,911 |
| Fair value of retained interest in a previous associate | | | | | | | | | 76,456 |
| Foreign exchange gain | | | | | | | | | 444,763 |
| Loss before tax | | | | | | | | | (5,551,299) |
| Segment assets | 26,576,191 | 28,536 | 288,743 | 105,582 | 125,092 | 1,054,297 | 28,178,441 | (8,796,694) | 19,381,747 |
| Associates | | | | | | | | | 482,754 |
| Joint ventures | | | | | | | | | 1,332 |
| Total assets | | | | | | | | | 19,865,833 |
| Segment total liabilities | 32,090,663 | 21,292 | 117,453 | 42,030 | 343,027 | 821,921 | 33,436,386 | (10,000,759) | 23,435,627 |

There is no single customer who contributed to 10% or more of the Group's total revenue.

## 37. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

Entities listed under investment in subsidiaries, associates and joint ventures are all considered related parties. Further, the following party with common shareholders and/or directors are also considered related parties for disclosure purposes.

(i) AirAsia X Berhad
(ii) Tune Insurance Malaysia Berhad
(iii) Queens Park Rangers Holdings Ltd
(iv) Thai AirAsia X Co. Ltd
(v) PT Indonesia AirAsia Extra
(vi) Tune Money International Sdn Bhd

All related party transactions were carried out on agreed terms and conditions.

Related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

| | Group | | Company | |
|---|---|---|---|---|
| | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| **(a) Income:** | | | | |
| Aircraft lease income owned and leased aircraft | | | | |
| - Thai AirAsia Co. Ltd | 197,400 | 7,369 | – | – |
| Office rental income | | | | |
| - AirAsia X Berhad | 3,384 | 1,029 | – | – |
| In-flight entertainment system and software charged by Rokki Sdn Bhd | | | | |
| - AirAsia X Berhad | – | 1,183 | – | – |
| Ground handling services charged by Ground Team Red Sdn Bhd | | | | |
| - AirAsia X Berhad | 3,412 | 7,769 | – | – |
| Sale of loyalty point from BIGLIFE Sdn Bhd | | | | |
| - AirAsia X Berhad | – | 1,707 | – | – |
| - Thai AirAsia Co. Ltd | 1,206 | 6,855 | – | – |
| - Thai AirAsia X Co. Ltd | – | 612 | – | – |
| Turnaround charges and marketing funds charged by AirAsia (Guangzhou) Aviation Service Limited | | | | |
| - AirAsia X Berhad | 101 | 3,225 | – | – |
| Travelling - accommodation charged by Tune Hotel | 883 | – | – | – |
| Fees charged to associates and related parties providing commercial air transport services | – | 37,487 | – | – |
| Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad | 1,230 | – | – | – |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| **(b) Recharges:** | | | | |
| Recharges of expenses to | | | | |
| - Thai AirAsia Co. Ltd | – | 416,161 | – | – |
| - AirAsia X Berhad | 15,322 | 229,777 | – | – |
| - AirAsia (India) Limited | 155,942 | 116,905 | – | – |
| - PT Indonesia AirAsia Extra | – | 3,056 | – | – |
| - Thai AirAsia X Co. Ltd | 6,447 | 171,993 | – | – |
| - AirAsia Japan Co., Ltd | – | 9,061 | – | – |
| **(c) Other income/(expenses):** | | | | |
| Maintenance reserve fund charged to | | | | |
| - Thai AirAsia Co. Ltd | 62,451 | 160,851 | – | – |
| - AirAsia (India) Limited | 4,470 | 33,905 | – | – |
| - PT Indonesia AirAsia Extra | – | 10,438 | – | – |
| - AirAsia Japan Co., Ltd | – | 6,472 | – | – |
| Purchase of cargo transportation capacity | | | | |
| - AirAsia X Berhad | – | 86,273 | – | – |
| Purchase of charter spaces | | | | |
| - AirAsia X Berhad | 203,706 | – | – | – |
| - Thai AirAsia X Co. Ltd | 173,087 | – | – | – |
| Provision of lounge services | | | | |
| - AirAsia X Berhad | – | 280 | – | – |
| Management fees paid to AirAsia SEA Ltd (formerly known as AirAsia Group (IHQ) Ltd) | 18,754 | – | (72) | (10,467) |
| Loyalty point redemption | | | | |
| - AirAsia X Berhad | – | (3,693) | – | – |
| - Thai AirAsia Co. Ltd | (3,461) | (9,758) | – | – |
| - Thai AirAsia X Co. Ltd | – | (1,103) | – | – |
| Management fees charged to associates and related parties | 47 | 5,596 | – | – |

## 38. FINANCIAL INSTRUMENTS

| Group | Measured at amortised costs RM'million | Measured at FVTPL RM'million | Measured at FVOCI RM'million | Total RM'million |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| **Financial assets as per statements of financial position** | | | | |
| Investment securities (Note 15) | – | 44 | 200 | 244 |
| Receivables (excluding prepayments and deposits for aircraft maintenance) | – | – | – | – |
| Amounts due from associates (Note 23) | 67 | – | – | 67 |
| Amounts due from related parties (Note 24) | 134 | – | – | 134 |
| Deposits on aircraft purchase (Note 19) | 610 | – | – | 610 |
| Derivative financial instruments (Note 20) | – | 165 | – | 165 |
| Deposits, cash and bank balances (Note 25) | 1,257 | – | – | 1,257 |
| Finance lease receivables (Note 29) | 490 | – | – | 490 |
| Total | 2,558 | 209 | 200 | 2,967 |

| Group (cont'd.) | Liabilities at FVPTL RM'million | Other liabilities RM'million | Total RM'million |
|---|---|---|---|
| **31 December 2021** | | | |
| **Financial liabilities as per statements of financial position** | | | |
| Borrowings (Note 28) | – | 2,310 | 2,310 |
| Derivative financial instruments (Note 20) | 33 | – | 33 |
| Trade and other payables (Note 26) | – | 2,602 | 2,602 |
| Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 27) | – | 2,502 | 2,502 |
| Amounts due to associates (Note 23) | – | 43 | 43 |
| Amounts due to related parties (Note 24) | – | 130 | 130 |
| Lease liabilities (Note 29) | – | 14,295 | 14,295 |
| Total | 33 | 21,882 | 21,915 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 38. FINANCIAL INSTRUMENTS (CONT'D.)

| Group | Measured at amortised costs RM'million | Measured at FVTPL RM'million | Measured at FVOCI RM'million | Total RM'million |
|---|---|---|---|---|
| **31 December 2020** | | | | |
| **Financial assets as per statements of financial position** | | | | |
| Investment securities (Note 15) | - | 93 | 379 | 472 |
| Receivables (excluding prepayments and deposits for aircraft maintenance) | 738 | - | - | 738 |
| Amounts due from associates (Note 23) | 360 | - | - | 360 |
| Amounts due from related parties (Note 24) | 107 | - | - | 107 |
| Deposits on aircraft purchase (Note 19) | 590 | - | - | 590 |
| Derivative financial instruments (Note 20) | - | - | 78 | 78 |
| Deposits, cash and bank balances (Note 25) | 534 | - | - | 534 |
| Finance lease receivables (Note 29) | 938 | - | - | 938 |
| Total | 3,267 | 93 | 457 | 3,817 |

| Group (cont'd.) | Liabilities at FVOCI RM'million | Financial liabilities RM'million | Total RM'million |
|---|---|---|---|
| **31 December 2020** | | | |
| **Financial liabilities as per statements of financial position** | | | |
| Borrowings (Note 28) | - | 1,289 | 1,289 |
| Derivative financial instruments (Note 20) | 65 | 135 | 200 |
| Trade and other payables (Note 26) | - | 2,782 | 2,782 |
| Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 27) | - | 2,377 | 2,377 |
| Amounts due to associates (Note 23) | - | 36 | 36 |
| Amounts due to related parties (Note 24) | - | 50 | 50 |
| Lease liabilities (Note 29) | - | 12,435 | 12,435 |
| Total | 65 | 19,104 | 19,169 |

## 38. FINANCIAL INSTRUMENTS (CONT'D.)

| Company | Measured at amortised costs RM'million | Measured at FVTPL RM'million | Total RM'million |
|---|---|---|---|
| **31 December 2021** | | | |
| **Assets as per statements of financial position** | | | |
| Amount due from a subsidiary (Note 22) | 1,092 | – | 1,092 |
| Amounts due from associates (Note 23) | 10 | – | 10 |
| Amounts due from related parties (Note 24) | 1 | – | 1 |
| Deposits, cash and bank balances (Note 25) | 562 | – | 562 |
| Derivative financial instruments (Note 20) | – | 165 | 165 |
| | 1,665 | 165 | 1,830 |

| | Other financial liabilities RM'million |
|---|---|
| **Liabilities as per statements of financial position** | |
| Trade and other payables (Note 26) | 8 |
| Amounts due to subsidiaries (Note 22) | 213 |
| | 221 |

| Company | Measured at amortised costs RM'million | Measured at FVOCI RM'million | Total RM'million |
|---|---|---|---|
| **31 December 2020** | | | |
| **Assets as per statements of financial position** | | | |
| Investment securities (Note 15) | – | 175 | 175 |
| Amount due from a subsidiary (Note 22) | 546 | – | 546 |
| Deposits, cash and bank balances (Note 25) | 1 | – | 1 |
| | 547 | 175 | 722 |

| | Other financial liabilities RM'million |
|---|---|
| **Liabilities as per statements of financial position** | |
| Trade and other payables (Note 26) | 7 |
| Amounts due to subsidiaries (Note 22) | 462 |
| | 469 |

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 39. FINANCIAL RISK MANAGEMENT POLICIES

The Group is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Financial risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks.

The policies in respect of the major areas of treasury activities are as follows:

### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

#### (i) Fuel price risk

The Group is exposed to jet fuel price risk and seek to hedge its fuel requirements using fuel swaps (Note 20). If a barrel of jet fuel/Brent oil at 31 December 2021 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **+USD5 RM'million** | **-USD5 RM'million** | **+USD5 RM'million** | **-USD5 RM'million** |
| Impact on other comprehensive income | - | - | 26 | (26) |

#### (ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

The Group manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 20).

If interest rate on USD denominated borrowings at 31 December 2021 and 31 December 2020 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 20).

## 39. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

**(a) Market risk (cont'd.)**

**(ii) Interest rate risk (cont'd.)**

If interest rate on USD denominated borrowings at 31 December 2021 and 31 December 2020 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post-tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | +60bps RM'million | -60bps RM'million | +60bps RM'million | -60bps RM'million |
| Impact on post tax profits | (15) | (47) | (44) | (86) |

The remaining terms of the outstanding interest rate derivative contracts of the Group at balance sheet date, which are all denominated in USD, are as follows:

| | 2021 RM'million | 2020 RM'million |
|---|---|---|
| Later than 1 year but less than 5 years: | | |
| Interest rate caps | – | - |
| Interest rate swaps | – | - |
| Later than 5 years: | | |
| Interest rate swaps | 688 | 734 |
| Cross currency interest rate swaps | – | - |
| | 688 | 734 |

**(iii) Foreign currency risk**

The Group is exposed to foreign currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

As at 31 December 2021, the Group has not hedged any of its USD denominated borrowings.

In prior year, the Group has not hedged any of its USD denominated borrowings.

The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure profile of financial instruments denominated in currencies other than the functional currency is presented in the respective financial asset and financial liabilities notes.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 39. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

### (b) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash and cash equivalents and other financial assets.

The Group's and the Company's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables, deposits for aircraft purchase and derivative financial instruments. As the Group and the Company do not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet. Prepayment for engine maintenance to the service provider are also deemed by the Group as having credit risk in the event counterparties do not fulfil the obligation.

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

The Group generally has no concentration of credit risk arising from trade receivables.

### (c) Liquidity and cash flow risk

The Group's and the Company's policy on liquidity risk management is to maintain sufficient cash and cash equivalents and to have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

Following the COVID-19 pandemic, the liquidity of the Group is impacted as it is influenced by the booking and payment pattern of passengers which saw a decline. Further details are as disclosed in Note 45.

The management will continue to monitor liquidity reserves and rolling cash flow forecasts throughout the year based on the measures put in place as disclosed in Note 45 and also potential impact from events outside the Group's control.

## 39. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

**(c) Liquidity and cash flow risk (cont'd.)**

The table below analyses the Group's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities and the Company's payables into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

| Group | Less than 1 year RM'million | 1-2 years RM'million | 2-5 years RM'million | Over 5 years RM'million |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| Term loans | 418 | 104 | 720 | 68 |
| Revolving credit | 78 | 1 | 5 | 2 |
| Swap creditors loan | 220 | – | – | – |
| Trade and other payables (Note 26) | 2,309 | 293 | – | – |
| Aircraft maintenance payables | 81 | 66 | 51 | – |
| Lease liabilities | 1,952 | 1,864 | 5,017 | 6,199 |
| Amounts due to associates | 43 | – | – | – |
| Amounts due to related parties | 130 | – | – | – |
| | 5,231 | 2,328 | 5,793 | 6,269 |
| **At 31 December 2020** | | | | |
| Term loans | 354 | 57 | 156 | 120 |
| Revolving credit | 121 | – | – | – |
| Swap creditors loan | 602 | 6 | – | – |
| Trade and other payables (Note 26) | 2,509 | 273 | – | – |
| Aircraft maintenance payables | 194 | 579 | 433 | 1,432 |
| Lease liabilities | 2,252 | 2,000 | 4,619 | 4,647 |
| Amounts due to associates | 36 | – | – | – |
| Amounts due to related parties | 50 | – | – | – |
| | 6,118 | 2,915 | 5,208 | 6,199 |

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 39. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

**(c) Liquidity and cash flow risk (cont'd.)**

| Company | Less than 1 year RM'million | 1-2 years RM'million | 2-5 years RM'million | Over 5 years RM'million |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| Trade and other payables | 8 | – | – | – |
| Amounts due to subsidiaries | 213 | – | – | – |
| | 221 | – | – | – |
| **At 31 December 2020** | | | | |
| Trade and other payables | 7 | – | – | – |
| Amounts due to subsidiaries | 462 | – | – | – |

| Group | Less than 1 year RM'million | 1-2 years RM'million | 2-5 years RM'million | Over 5 years RM'million |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| Net-settled derivatives | | | | |
| Trading | – | – | – | – |
| Hedging | – | – | – | 688 |
| **At 31 December 2020** | | | | |
| Net-settled derivatives | | | | |
| Trading | – | – | – | 65 |
| Hedging | 115 | – | – | – |

**(d) Capital risk management**

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's and the Company's various businesses, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

The Group's and the Company's overall strategy remains unchanged from 2019.

Consistent with others in the industry, the Group and the Company monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short-term and long-term borrowings" as shown in the Group's and the Company's balance sheet) add lease liabilities less deposit, cash and bank balances.

## 39. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

### (d) Capital risk management (cont'd.)

The net gearing ratio as at 31 December 2021 and 31 December 2020 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 RM'million** | **2020 RM'million** | **2021 RM'million** | **2020 RM'million** |
| Total borrowings (Note 28) | 2,310 | 1,289 | – | – |
| Lease liabilities (Note 29) | 14,295 | 12,435 | – | – |
| Less: Deposit, cash and bank balances (Note 25) | (1,257) | (534) | (562) | (1) |
| Net debts | 15,348 | 13,190 | (562) | (1) |
| Total equity | (6,423) | (3,570) | 9,299 | 8,547 |
| Net Gearing Ratio (times) | N/A | N/A | N/A | N/A |

During the financial year, the Group's operations were significantly affected by the COVID-19 pandemic which led to operating losses. The Group has been relying on debt compared to its equity to finance the Group's operations which resulted in a negative net gearing ratio.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2021 and 31 December 2020.

### (e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

**Determination of fair value and fair value hierarchy**

The Group's financial instruments are measured in the statement of financial position at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 39. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

**(e) Fair value measurement (cont'd.)**

**Determination of fair value and fair value hierarchy (cont'd.)**

The following table presents the Group's and Company's assets and liabilities that are measured at fair value.

| Group | Level 1 RM'million | Level 2 RM'million | Level 3 RM'million | Total RM'million |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Early redemption option | – | 165 | – | 165 |
| Investment securities | 81 | 44 | 119 | 244 |
| | 81 | 209 | 119 | 409 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Trading derivatives | – | 33 | – | 33 |
| | – | 33 | – | 33 |

| Group | Level 1 RM'million | Level 2 RM'million | Level 3 RM'million | Total RM'million |
|---|---|---|---|---|
| **31 December 2020** | | | | |
| **Assets** | | | | |
| Derivatives used for hedging | – | 78 | – | 78 |
| Investment securities | 220 | 92 | 160 | 472 |
| | 220 | 170 | 160 | 550 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Trading derivatives | – | 65 | – | 65 |
| Derivatives used for hedging | – | 135 | – | 135 |
| | – | 200 | – | 200 |

## 39. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

**(e) Fair value measurement (cont'd.)**

The following table presents the Group's and Company's assets and liabilities that are measured at fair value. (cont'd.)

| Company | Level 1 RM'million | Level 2 RM'million | Level 3 RM'million | Total RM'million |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Early redemption option | - | 165 | - | 165 |
| **31 December 2020** | | | | |
| **Assets** | | | | |
| Investment securities | 133 | 43 | - | 176 |

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and Company then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's and Company's over the counter ("OTC") derivatives. Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques, including discounted cash flow projections.

# *Notes to the Financial Statements (cont'd.)*

for the financial year ended 31 December 2021

## 40. UNCONSOLIDATED STRUCTURED ENTITIES

The Group has set up Merah entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Group enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the Group to possess and operate each of the Airbus A320 aircraft financed under the facility.

The SPC are orphan trust companies in which the Group has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2021. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group upon the purchase of the aircraft.

The Group does not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

The details of the Merah entities are as follows:

| Name | Incorporation | Purpose |
|---|---|---|
| Merah Satu Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Lima Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Enam Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Sebelas Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Duabelas Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Tigabelas Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Empatbelas Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Enambelas Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Duapuluh Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Duapuluhtujuh Limited | Labuan, Malaysia | Aircraft financing special purpose company |
| Merah Tigapuluhsatu Limited | Labuan, Malaysia | Aircraft financing special purpose company |

All the above entities are in the process of dissolution.

## 41. RECLASSIFICATION

On 27 January 2022, the shareholders have approved the change of the Company name to Capital A Berhad. The change of name offers a better reflection of the Group's core business and its future undertakings in tandem with its rapid transformation as it has gone beyond its beginnings as an airline into a digital travel and lifestyle services group which continues to gain strong momentum.

Following the expansion of the core business, to better reflect the revenue generation sources, the Group reclassified the digital travel and lifestyle services revenues from other income to revenue. The corresponding changes had been made to the revenue and other income of prior years as disclosed below:

| | As previously disclosed RM'000 | Reclassification RM'000 | As restated RM'000 |
|---|---|---|---|
| Revenue | 3,131,213 | 143,186 | 3,274,399 |
| Other income | 471,561 | (128,843) | 342,718 |
| Other operating expense | (2,585,857) | (14,343) | (2,600,200) |

Restatement from prior year receivable and prepayments to trade and others payables on the reclassification of negative balance in prepaid agent for presentation purpose as disclosed below:

| | As previously disclosed RM'000 | Reclassification RM'000 | As restated RM'000 |
|---|---|---|---|
| Receivables and prepayments | 903,294 | 201,775 | 1,105,069 |
| Trade and other payables | (2,307,125) | (201,775) | (2,508,900) |

## 42. SIGNIFICANT EVENTS

(i) Private placement

During the financial year, the Company completed the private placement of 470.2 million shares at RM336.5 million as disclosed in Note 31.

(ii) Acquisition of remaining 20% equity interest in BIGLIFE Sdn Bhd

On 21 June 2021, the Group completed acquisition of the remaining equity interest in BIGLIFE for a purchase consideration of RM103 million to be satisfied wholly via issuance of 85.9 million new ordinary shares of the Company at an issue price of RM1.20 per share as disclosed in Note 12 and Note 31 respectively.

(iii) Acquisition of Velox Technology (Thailand) Co Ltd

On 27 July 2021, the Group completed the acquisition of Velox Technology (Thailand) Co Ltd. for a purchase consideration of USD40 million. The impact of the acquisition is as disclosed in Note 12.

(iv) Acquisition of Delivereat Sdn Bhd

On 4 November 2021, the Group acquired 100% of the equity interest in DeliverEat, a local Malaysia food delivery platform, valued at USD9.8 million (equivalent to RM41 million). The impact of the acquisition is as disclosed in Note 12.

(v) Restructuring of AAV

On 15 December 2021, the Group completed its disposal of its shares in TAA and acquired shares in Asia Aviation Public Company Limited ("AAV"), the holding company of TAA. Further information and impact of the said restructuring is as disclosed in Note 14.

(vi) Completion of RCUIDS

On 12 July 2021, the Company announced that it proposed to undertake a renounceable rights issue of up to RM1,024,058,370 in nominal value of a 7-year RCUIDS of RM0.75 on the basis of 2 RCUIDS with 1 free detachable warrant for every 6 ordinary shares in the Company. Based on the nominal value of the RCUIDS of RM0.75 each, the Proposed Rights Issue will result in the issuance of up to 1,365,411,160 RCUIDS together with up to 682,705,580 new warrants.

The above proposal was approved by shareholders at an Extraordinary General Meeting held on 11 November 2021 and the RCUIDS exercise is completed on 31 December 2021 as disclosed in Note 28.

## 43. OTHER MATTERS

Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

In prior years, AirAsia Berhad ("AAB"), a wholly owned subsidiary of the Company, received a Writ of Summons and Statement of Claim ("Claim") dated 10 December 2018 and on 31 January 2019, Malaysia Airports (Sepang) Sdn Bhd ("MASSB") filed claims at the High Court of Malaya at Kuala Lumpur, claiming the additional RM23 per Passenger Services Charges ("PSC") which AAB was required to collect effective 1 July 2018.

On 18 July 2019, the Kuala Lumpur High Court, inter alia, allowed MASSB's application for summary judgment against AAB and ordered AAB to pay MASSB:

(a) RM9,395,856.50 in outstanding PSC and RM90,055.50 in outstanding LPC for Suit 816; and

(b) RM4,614,329.00 in outstanding PSC and RM40,577.47 in outstanding LPC for Suit 58.

On 22 July 2019, AAB filed appeals in the Court of Appeal against the aforesaid High Court decision.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 43. OTHER MATTERS (CONT'D.)

Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB") (cont'd.)

On 18 September 2019, AAB paid a sum of RM14 million (being the amounts specified in the Garnishee Show Cause Orders dated 23 August 2019) to MASSB to defray the garnishee execution proceedings. The payment was made by AAB without prejudice to AAB's rights, including AAB's rights in the appeals made in relation to the judgement order dated 18 July 2019 and any connected interlocutory applications.

On 2 October 2019, AAB filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a sum of RM479.8 million, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

Following to above, on 22 January 2021, MASSB filed a supplementary affidavit in an attempt to adduce fresh evidence in these appeals. On 5 February 2021, the Company filed motions to adduce fresh evidence in these appeals. In view of these developments, the hearing proper of the appeals were adjourned, pending the disposal of the Company's motions to adduce fresh evidence and MASSB's supplementary affidavits.

On 24 March 2021, the Court of Appeal allowed the Company's motions to adduce fresh evidence and Supplementary Records of Appeal consisting of the fresh evidence were filed on 5 April 2021 and served on 6 April 2021.

On 14 April 2021, the Court of Appeal gave directions for the filing of written submissions and fixed the appeals for:

(a) e-Review case management on 12 January 2022; and

(b) e-appellate hearing by Zoom on 27 January 2022.

The appeals were heard on 27 January 2022.

On 3 March 2022, the Court of Appeal dismissed AAB's four (4) appeals against the High Court's two (2) summary judgments and two (2) orders dismissing AAB's application to strike out MASSB's claim for outstanding Passenger Service Charges. The appeals were dismissed with costs of RM10,000.00 for each appeal, subject to payment of allocator fee.

On 1 April 2022, AAB filed motions for leave to appeal to the Federal Court against the dismissal of the four (4) PSC Appeals on 3 March 2022 by the Court of Appeal. These applications are fixed for Case Management on 9 May 2022.

Kuala Lumpur High Court Civil Suit No. WA-23NCvC-56-10/2019
AIRASIA BERHAD & AIRASIA X BERHAD V MALAYSIA AIRPORTS (SEPANG) SDN BHD

On 2 October 2019, AAB (together with AirAsia X Berhad) filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a sum of RM479.8 million, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

AAB and AAX subsequently filed an amended statement of claim on 23 December 2019 and a reply on 26 December 2019.

AAB and AAX applied for an application to expunge an affidavit filed by MASSB ("Expungement Application") on 12 March 2021. MASSB subsequently applied to strike out the whole suit ("Striking Out Application") and also applied for further and better particulars ("FBP Application") on 30 March 2021. MASSB's FBP Application is held over pending the disposal of the Striking Out Application.

MASSB's Striking Out Application was heard on 14 February 2022. The High Court dismissed the Striking Out Application on 25 March 2022 with costs in the cause.

MASSB lodged an application for further and better particulars ("FBP Application") over the disposal of the Striking Out Application.

At the Case Management on 4 April 2022, the High Court fixed the FBP Application to be heard before the High Court Judicial Commissioner on 22 June 2022. A further case management is scheduled after the hearing takes place.

## 44. SUBSEQUENT EVENT

On 14 January 2022, the Company announced that it has become an affected listed issuer pursuant to Paragraph 8.04 and Paragraph 2.1 (a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). As an affected listed issuer, the Company is required to submit a regularisation plan to address the PN17 status within 12 months from 14 January 2022 to the relevant authorities for approval. The management of the Company is currently in the process of formulating a regularisation plan.

## 45. COVID-19 PANDEMIC

The world was affected by the COVID-19 pandemic, resulting in an economic recovery slowdown and adversely impacting various businesses specifically the tourism and hospitality industries. Year 2021 was even more challenging than Year 2020 for the Group, given that international flight operations were disrupted for the full year, as opposed to just the second to fourth quarters previously. However, the situation picked up towards year end when the effects of mass vaccination began to be evident. Along with a decline in COVID-19 infections, travel lanes started to emerge followed by the gradual opening of domestic and, to a slight extent, international borders.

The Group reported a net loss of RM3,721 million for the financial year ended 31 December 2021 compared to a net loss of RM5,888 million from the previous year and the current liabilities exceeded its current assets by RM6,754 million (2020: RM5,902 million) as at 31 December 2021. In addition, the Group also reported a shareholders' deficit of RM3,382 million (2020: RM1,214 million). The Company reported a net loss of RM64 million (2020: RM262 million) for the financial year ended 31 December 2021.

"Arising from the COVID-19 pandemic, the Group and the Company have implemented several measures related to fund-raising, revision of business plans in conjunction with the ease of travel restrictions and continuous efforts to enforce cost control measures. These efforts are on-going as the Group and the Company continue to seek support from their vendors and business partners to address its cash flow requirements. The following measures had been taken, with further additional efforts to be taken:

(a) Funding

The Group has undertaken several funding initiatives including restructuring and renegotiation of leases, private placements, issuance of RCUIDS, disposal and divestment of investments and assets and bank and lessors financing amounted to approximately RM3 billion.

The Group is also currently in various stages of discussions with lenders and investors for debt and equity fundraising amounting to approximately RM1.5 billion.

(b) Working Capital Management

As at 31 December 2021, the Group had completed restructuring of total 81 aircraft leases and currently in discussion with its lessors to further negotiate the restructuring of the remaining leases to waive the lease rentals in arrears as well as reducing future lease rates with a corresponding longer lease term where necessary. The lease rentals deferred as at 31 December 2021 is disclosed in Note 29 to the financial statements.

During the financial year, the Group has significantly reduced its cash burn rate through various cost containment and optimisation exercises including:

- Right sizing of manpower and salary cuts for management, staff and directors;
- Reskilling, upskilling and moving operational manpower across functions within our ecosystem of online travel and lifestyle business during the downturn in travel; and
- Negotiation of deferrals with vendors, service providers, suppliers and other business partners.

# Notes to the Financial Statements (cont'd.)

for the financial year ended 31 December 2021

## 45. COVID-19 PANDEMIC (CONT'D.)

(c) Capacity and Network Management and Marketing Activities

With the airline recent developments, in the fourth quarter of 2021 the Aviation Group carried 2.7 million passengers and recorded the highest load factor of 80% since the beginning of the pandemic and a year-to-date load factor of 74%. The performance indicated a V-shaped resumption of travelling demand in domestic market in 2021. The Group is well positioned to serve the pent-up leisure travel demand with the revision the business plans and marketing supports given the right operating environment and reasonable actions by key stakeholders.

During the first quarter of 2022, the Aviation Group have been bringing more aircraft out of hibernation as travel restrictions gradually ease, in order to meet strong pent-up demand. The Group implements continuous flight capacity and network revenue management in response to global travel resumption and the current progressive uplifting of travel restriction by the respective countries. This can be seen through effective 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.

The Group consistently monitors the route profitability and concentrates its recovery on the most profitable and popular routes. Due to this uncertainty, the 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.

The Group believes that all these signs point towards regional air travel returning to a certain degree of normalcy within the year and that international air travel will recover rapidly throughout 2022 and the years ahead.

## 45. COVID-19 PANDEMIC (CONT'D.)

(d) Synergistic Travel and Lifestyle Businesses

Throughout the year, the Group has transformed to be more than an airline. The Group has reshaped, restructured and expanded the Group to become a digital travel and lifestyle services Group. The pandemic accelerated the growth to fully transform the Group into an investment holding company and ultimately create an ecosystem of synergistic lifestyle brand under business verticals comprising AirAsia Aviation Group, airasia Super App, logistics venture Teleport, BigPay fintech service, the airline engineering business Asia Digital Engineering and venture arm Redbeat Capital. The digital transformation which commenced even before the pandemic has already received overwhelming support to-date through various fundraising initiatives.

Despite the disruption caused by the new variant of concern, Omicron, the recovery of the airline industry in 2021 has improved compare to the previous year. With the recent positive development where the governments in Asean countries gradually easing the travel restriction and reduce or remove onerous entry requirements, the management is confident that the aviation group is moving in a positive direction and is expected to rebound stronger and continuing to grow larger with a lean operating structure.

Accordingly, the Directors are of the opinion that the going concern basis used in the preparation of financial statements is appropriate and no adjustments was necessary to be made to the financial statements relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities. Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

# Additional *Information*

# Analysis of Shareholdings

as at 31 March 2022

**DISTRIBUTION OF SHAREHOLDINGS (BASED ON THE RECORD OF DEPOSITORS)**

Issued and fully paid-up capital : 4,161,756,619 ordinary shares
Class of shares : Ordinary shares
Voting rights : One vote per ordinary share

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|---|
| Less than 100 | 423 | 0.428 | 8,700 | 0.000 |
| 100 - 1,000 | 24,287 | 24.624 | 16,029,656 | 0.385 |
| 1,001 - 10,000 | 51,231 | 51.942 | 240,805,802 | 5.786 |
| 10,001 - 100,000 | 20,429 | 20.712 | 620,629,324 | 14.912 |
| 100,001 to less than 5% of issued shares | 2,257 | 2.288 | 2,258,798,055 | 54.275 |
| 5% and above of issued shares | 3 | 0.003 | 1,025,485,082 | 24.640 |
| | 98,630 | 100.000 | 4,161,756,619 | 100.000 |

**SUBSTANTIAL SHAREHOLDERS**

The direct and indirect shareholdings of the shareholders holding more than 5% of the issued and fully paid-up capital in Capital A Berhad (formerly known as AirAsia Group Berhad) based on the Register of Substantial Shareholders as at 31 March 2022 are as follows:-

| | DIRECT | | INDIRECT | |
|---|---|---|---|---|
| Name | No. of Shares Held | % of Issued Shares | No. of Shares Held | % of Issued Shares |
| Tune Live Sdn. Bhd. | 509,000,000(1) | 12.23 | - | - |
| Tune Air Sdn. Bhd. | 516,485,082(2) | 12.41 | - | - |
| Positive Boom Limited | 332,498,504(3) | 7.99 | - | - |
| Tan Sri Anthony Francis Fernandes | 1,600,000(4) | 0.04 | 1,025,485,082(6) | 24.64 |
| Datuk Kamarudin bin Meranun | 2,000,000(5) | 0.05 | 1,025,485,082(6) | 24.64 |
| Choi Chiu Fai, Stanley | - | - | 332,498,504(7) | 7.99 |

***Notes:***

*(1) Shares held under RHB Capital Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn. Bhd. for Tune Live Sdn. Bhd.*
*(2) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd. for Tune Air Sdn. Bhd.*
*(3) Shares held under own name and Kenanga Nominees (Asing) Sdn. Bhd. for Positive Boom Limited.*
*(4) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd. for Tan Sri Anthony Francis Fernandes.*
*(5) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd. for Datuk Kamarudin bin Meranun.*
*(6) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Tune Live Sdn. Bhd. and Tune Air Sdn. Bhd.*
*(7) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Positive Boom Limited.*

# *Analysis of Shareholdings (cont'd.)*

as at 31 March 2022

## DIRECTORS' SHAREHOLDINGS

The interests of the Directors of Capital A in the ordinary shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings as at 31 March 2022 are as follows:-

| | DIRECT | | INDIRECT | |
|---|---|---|---|---|
| Name | No. of Shares Held | % of Issued Shares | No. of Shares Held | % of Issued Shares |
| Tan Sri Anthony Francis Fernandes | 1,600,000[(1)] | 0.04 | 1,025,485,082[(2)] | 24.64 |
| Datuk Kamarudin bin Meranun | 2,000,000[(1)] | 0.05 | 1,025,485,082[(2)] | 24.64 |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | 989,500[(3)] | 0.02 | - | - |
| Dato' Fam Lee Ee | - | - | - | - |
| Dato' Mohamed Khadar bin Merican | 100,000[(4)] | * | - | - |
| Surina binti Shukri | - | - | - | - |

***Notes:***

* *Negligible.*
(1) *Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.*
(2) *Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Tune Air Sdn. Bhd. and Tune Live Sdn. Bhd.*
(3) *Shares held under Amsec Nominees (Tempatan) Sdn. Bhd.*
(4) *Shares held under Alliance Group Nominees (Tempatan) Sdn. Bhd.*

## LIST OF TOP 30 LARGEST SHAREHOLDERS (BASED ON THE RECORD OF DEPOSITORS)

| | Name of Shareholders | No. of Shares Held | % of Issued Share Capital |
|---|---|---|---|
| 1. | HSBC Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account - Credit Suisse AG, Singapore For Tune Air Sdn. Bhd.* | 516,485,082 | 12.410 |
| 2. | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>*RHB Islamic Bank Berhad Pledged Securities Account For Tune Live Sdn. Bhd.* | 260,469,710 | 6.258 |
| 3. | HSBC Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account - Credit Suisse AG, Singapore For Tune Live Sdn. Bhd.* | 248,530,290 | 5.971 |
| 4. | Positive Boom Limited | 167,098,704 | 4.015 |
| 5. | Kenanga Nominees (Asing) Sdn. Bhd.<br>*Exempt AN For Guotai Junan Securities (Hong Kong) Limited (Client Account)* | 164,756,000 | 3.958 |
| 6. | Amanahraya Trustees Berhad<br>*Amanah Saham Bumiputera* | 155,159,000 | 3.728 |
| 7. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Urusharta Jamaah Sdn. Bhd. (2)* | 123,653,879 | 2.971 |
| 8. | RHB Capital Nominees (Asing) Sdn. Bhd.<br>*Aimia Inc.* | 119,906,709 | 2.881 |
| 9. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*UBS AG Singapore For Calvin Lau Chuen Yien* | 82,000,000 | 1.970 |
| 10. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*CBHK PBGSG For Calvin Lau Chuen Yien* | 60,000,000 | 1.441 |
| 11. | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>*Deutsche Bank AG Singapore For Ntasian Discovery Master Fund* | 50,000,000 | 1.201 |
| 12. | HSBC Nominees (Asing) Sdn. Bhd.<br>*BJB Zur For Shiva Fernandes* | 49,650,000 | 1.193 |

| | Name of Shareholders | No. of Shares Held | % of Issued Share Capital |
|---|---|---|---|
| 13. | Tan Yu Yeh | 46,300,000 | 1.112 |
| 14. | Citigroup Nominees (Asing) Sdn. Bhd.<br>*UBS AG For Oasis Investments II Master Fund Ltd.* | 41,634,200 | 1.000 |
| 15. | Amanah Trustees Berhad<br>*Amanah Saham Bumiputera 2* | 30,500,000 | 0.732 |
| 16. | Cartaban Nominees (Tempatan) Sdn. Bhd.<br>*Icapital.Biz Berhad* | 29,282,200 | 0.703 |
| 17. | HSBC Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN for BNP Paribas Singapore Branch (Local)* | 28,000,000 | 0.672 |
| 18. | Cartaban Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN for Standard Chartered Bank Singapore (EFGBHK-Tempatan)* | 25,000,000 | 0.600 |
| 19. | Amanahraya Trustees Berhad<br>*Amanah Saham Malaysia 2 – Warisan* | 20,000,000 | 0.480 |
| 20. | Amanahraya Trustees Berhad<br>*Amanah Saham Malaysia* | 18,498,800 | 0.444 |
| 21. | Amanahraya Trustees Berhad<br>*Amanah Saham Malaysia 3* | 14,639,100 | 0.351 |
| 22. | HSBC Nominees (Asing) Sdn. Bhd.<br>*Exempt AN For Bank Julius Baer & Co. Ltd. (Singapore BCH)* | 14,086,733 | 0.338 |
| 23. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>*CIMB For Lim Chee Hwa (PB)* | 11,514,800 | 0.276 |
| 24. | Cartaban Nominees (Asing) Sdn. Bhd.<br>*SSBT Fund PPES For Pimco Equity Series: Pimco RAE Fundamental Emerging Markets Fund* | 11,021,800 | 0.264 |
| 25. | Citigroup Nominees (Asing) Sdn. Bhd.<br>*UBS AG* | 10,712,887 | 0.257 |
| 26. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Great Eastern Life Assurance (Malaysia) Berhad (LEEF)* | 10,686,200 | 0.256 |
| 27. | HSBC Nominees (Asing) Sdn. Bhd.<br>*J.P. Morgan Securities PLC* | 10,609,100 | 0.254 |
| 28. | Affin Hwang Nominees (Asing) Sdn. Bhd.<br>*Phillip Securities Pte Ltd For Rakuten Securities Inc* | 10,037,800 | 0.241 |
| 29. | Tabung Warisan Negeri Sembilan | 10,000,000 | 0.240 |
| 30. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Great Eastern Life Assurance (Malaysia) Berhad (DR)* | 9,846,500 | 0.236 |

# Analysis of Redeemable Convertible Unsecured Islamic Debt Securities ("RCUIDS") Holdings

as at 31 March 2022

**RCUIDS 2021/2028**

| | |
|---|---|
| No. of RCUIDS issued | : 1,035,610,619 |
| Voting Rights | : No voting rights |
| Conversion price of RCUIDS | : RM0.75 each |
| Expiry date of RCUIDS | : 29 December 2028 |

**DISTRIBUTION OF RCUIDS HOLDINGS (BASED ON THE RECORD OF DEPOSITORS)**

| RCUIDS Holdings | No. of RCUIDS Holders | % of RCUIDS Holders | No. of RCUIDS | % of Issued RCUIDS |
|---|---|---|---|---|
| Less than 100 | 316 | 2.972 | 14,581 | 0.001 |
| 100 – 1,000 | 2,896 | 27.238 | 1,777,043 | 0.171 |
| 1,001 – 10,000 | 5,426 | 51.034 | 22,146,339 | 2.138 |
| 10,001 – 100,000 | 1,728 | 16.252 | 52,698,265 | 5.088 |
| 100,001 to less than 5% of issued RCUIDS | 262 | 2.464 | 353,908,688 | 34.173 |
| 5% and above of issued RCUIDS | 4 | 0.037 | 605,065,703 | 58.425 |
| | **10,632** | **100.000** | **1,035,610,619** | **100.000** |

**DIRECTORS' RCUIDS HOLDINGS**

The interests of the Directors of Capital A in RCUIDS in the Company and its related corporations based on the Company's Register of Directors' RCUIDS Holdings as at 31 March 2022 are as follows:-

| | DIRECT | | INDIRECT | |
|---|---|---|---|---|
| Name | No. of RCUIDS Held | % of Issued RCUIDS | No. of RCUIDS held | % of Issued RCUIDS |
| Tan Sri Anthony Francis Fernandes | - | - | 343,028,359(1) | 33.12 |
| Datuk Kamarudin bin Meranun | - | - | 343,028,359(1) | 33.12 |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | 329,833(2) | 0.03 | - | - |
| Dato' Fam Lee Ee | - | - | - | - |
| Dato' Mohamed Khadar bin Merican | 250,000(3) | 0.02 | - | - |
| Surina binti Shukri | - | - | - | - |

***Notes:***

*(1) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Sky Accord Sdn. Bhd.*

*(2) RCUIDS held under Amsec Nominees (Tempatan) Sdn. Bhd.*

*(3) RCUIDS held under Alliance Group Nominees (Tempatan) Sdn. Bhd.*

**LIST OF TOP 30 LARGEST RCUIDS HOLDERS (BASED ON THE RECORD OF DEPOSITORS)**

| | Name of RCUIDS Holders | No. of RCUIDS Held | % of Issued RCUIDS |
|---|---|---|---|
| 1. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Kenanga Investors Berhad For Sky Accord Sdn. Bhd.* | 343,028,359 | 33.123 |
| 2. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN For Kenanga Investors Bhd* | 141,419,110 | 13.655 |
| 3. | Kenanga Nominees (Asing) Sdn. Bhd.<br>*Exempt AN For Guotai Junan Securities (Hong Kong) Limited (Client Account)* | 64,918,666 | 6.268 |
| 4. | Positive Boom Limited | 55,699,568 | 5.378 |
| 5. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Urusharta Jamaah Sdn. Bhd. (2)* | 44,957,915 | 4.341 |

| | Name of RCUIDS Holders | No. of RCUIDS Held | % of Issued RCUIDS |
|---|---|---|---|
| 6. | RHB Capital Nominees (Asing) Sdn. Bhd.<br>*Aimia Inc.* | 40,491,136 | 3.909 |
| 7. | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>*Deutsche Bank AG Singapore For Ntasian Discovery Master Fund* | 40,000,000 | 3.862 |
| 8. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*UBS AG Singapore For Calvin Lau Chuen Yien* | 36,333,333 | 3.508 |
| 9. | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>*Exempt AN For Deutsche Bank AG Singapore (Maybank SG PWM)* | 22,500,000 | 2.172 |
| 10. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*CBHK PBGSG For Calvin Lau Chuen Yien* | 20,000,000 | 1.931 |
| 11. | Cartaban Nominees (Tempatan) Sdn. Bhd.<br>*RHB Trustees Berhad For Kenanga Absolute Return Fund* | 17,645,300 | 1.703 |
| 12. | Cartaban Nominees (Tempatan) Sdn. Bhd.<br>*Icapital.Biz Berhad* | 9,760,733 | 0.942 |
| 13. | HSBC Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN For BNP Paribas Singapore Branch (Local)* | 9,333,333 | 0.901 |
| 14. | Leong Yeng Kit | 8,483,333 | 0.819 |
| 15. | Cartaban Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN For Standard Chartered Bank Singapore (EFGBHK-Tempatan)* | 6,666,666 | 0.643 |
| 16. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*UBS AG Singapore For Lau Chuen Wai William* | 6,000,000 | 0.579 |
| 17. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>*CIMB For Lim Chee Hwa (PB)* | 3,754,933 | 0.362 |
| 18. | Maybank Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Tan Teck Soon* | 2,250,000 | 0.217 |
| 19. | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>*Kho Chai Yam* | 2,222,333 | 0.214 |
| 20. | CGS-CIMB Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Mohammed Amin Bin Mahmud (MM1004)* | 2,206,000 | 0.213 |
| 21. | Tan Yu Yeh | 1,900,000 | 0.183 |
| 22. | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Mohammed Rashdan Bin Mohd Yusof* | 1,790,000 | 0.172 |
| 23. | Citigroup Nominees (Asing) Sdn. Bhd.<br>*Legal & General Assurance (Pensions Management) Limited (A/C 11252500001)* | 1,688,591 | 0.163 |
| 24. | HLIB Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Rozman Bin Omar* | 1,622,900 | 0.156 |
| 25. | Maybank Securities Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Mary Tan @ Tan Hui Ngoh (STF)* | 1,500,000 | 0.144 |
| 26. | HSBC Nominees (Asing) Sdn. Bhd.<br>*Exempt AN For Credit Suisse (SG BR-TST-Asing)* | 1,491,165 | 0.143 |
| 27. | Public Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Tan Teck Soon (E-SS2)* | 1,420,000 | 0.137 |
| 28. | Syed Faisal Albar Bin Syed A.R Albar | 1,100,000 | 0.106 |
| 29. | Public Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Beh Lee Fong (E-SS2)* | 970,000 | 0.093 |
| 30. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Great Eastern Life Assurance (Malaysia) Berhad (LPF)* | 962,033 | 0.092 |

# Analysis of Warrant Holdings

as at 31 March 2022

**Warrants 2021/2028**

| | |
|---|---|
| No. of Warrants issued | : 649,675,479 |
| Voting Rights | : No voting rights |
| Exercise price of Warrants | : RM1.00 each |
| Expiry date of Warrants | : 29 December 2028 |

**DISTRIBUTION OF WARRANT HOLDINGS** (BASED ON THE RECORD OF DEPOSITORS)

| Size of Warrant Holdings | No. of Warrant Holders | % of Warrant Holders | No. of Warrants Held | % of Issued Warrants |
|---|---|---|---|---|
| Less than 100 | 625 | 5.864 | 29,427 | 0.004 |
| 100 - 1,000 | 4,350 | 40.814 | 2,343,859 | 0.360 |
| 1,001 - 10,000 | 4,266 | 40.026 | 15,678,799 | 2.413 |
| 10,001 - 100,000 | 1,156 | 10.846 | 36,561,844 | 5.627 |
| 100,001 to less than 5% of issued warrants | 259 | 2.430 | 352,837,816 | 54.309 |
| 5% and above of issued warrants | 2 | 0.018 | 242,223,734 | 37.283 |
| | **10,658** | **100.000** | **649,675,479** | **100.000** |

**DIRECTORS' WARRANT HOLDINGS**

The interests of the Directors of Capital A in the Warrants in the Company and its related corporations based on the Company's Register of Directors' Warrant Holdings as at 31 March 2022 are as follows:-

| Name | DIRECT | | INDIRECT | |
|---|---|---|---|---|
| | No. of Warrants Held | % of Issued Warrants | No. of Warrants Held | % of Issued Warrants |
| Tan Sri Anthony Francis Fernandes | - | - | 171,514,179(1) | 26.40 |
| Datuk Kamarudin bin Meranun | - | - | 171,514,179(1) | 26.40 |
| Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar | 164,916(2) | 0.03 | - | - |
| Dato' Fam Lee Ee | - | - | - | - |
| Dato' Mohamed Khadar bin Merican | 50,000(3) | * | - | - |
| Surina binti Shukri | - | - | - | - |

***Notes:***

* *Negligible.*

*(1) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Sky Accord Sdn. Bhd.*

*(2) Shares held under Amsec Nominees (Tempatan) Sdn. Bhd.*

*(3) Shares held under Alliance Group Nominees (Tempatan) Sdn. Bhd.*

**LIST OF TOP 30 LARGEST WARRANT HOLDERS (BASED ON THE RECORD OF DEPOSITORS)**

| | Name of Warrant Holders | No. of Warrants Held | % of Issued Warrants |
|---|---|---|---|
| 1. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Kenanga Investors Berhad For Sky Accord Sdn. Bhd.* | 171,514,179 | 26.399 |
| 2. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN For Kenanga Investors Bhd* | 70,709,555 | 10.883 |
| 3. | Kenanga Nominees (Asing) Sdn. Bhd.<br>*Exempt AN For Guotai Junan Securities (Hong Kong) Limited (Client Account)* | 32,459,333 | 4.996 |
| 4. | Tan Yu Yeh | 30,530,000 | 4.699 |
| 5. | Positive Boom Limited | 27,849,784 | 4.286 |

| | Name of Warrant Holders | No. of Warrants Held | % of Issued Warrants |
|---|---|---|---|
| 6. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*Urusharta Jamaah Sdn. Bhd. (2)* | 22,480,042 | 3.460 |
| 7. | RHB Capital Nominees (Asing) Sdn. Bhd.<br>*Aimia Inc.* | 20,245,568 | 3.116 |
| 8. | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>*Deutsche Bank AG Singapore For Ntasian Discovery Master Fund* | 20,000,000 | 3.078 |
| 9. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*UBS AG Singapore For Calvin Lau Chuen Yien* | 18,166,666 | 2.796 |
| 10. | HSBC Nominees (Asing) Sdn. Bhd.<br>*Credit Suisse (Hong Kong) Limited* | 12,579,448 | 1.936 |
| 11. | Toh Ean Hai | 12,100,000 | 1.862 |
| 12. | DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>*Exempt AN For Deutsche Bank AG Singapore (Maybank SG PWM)* | 11,250,000 | 1.731 |
| 13. | Malacca Securities Sdn. Bhd.<br>*IVT 017V* | 10,598,400 | 1.631 |
| 14. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*CBHK PBGSG For Calvin Lau Chuen Yien* | 10,000,000 | 1.539 |
| 15. | Citigroup Nominees (Asing) Sdn. Bhd.<br>*Exempt AN For OCBC Securities Private Limited (Client A/C-NR)* | 6,363,849 | 0.979 |
| 16. | HLB Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Tay Hong Boon* | 5,310,000 | 0.817 |
| 17. | Cartaban Nominees (Tempatan) Sdn. Bhd.<br>*Icapital.Biz Berhad* | 4,880,366 | 0.751 |
| 18. | Citigroup Nominees (Asing) Sdn. Bhd.<br>*GSCO LLC For Truffle Hound Global Value LLC* | 4,842,500 | 0.745 |
| 19. | HSBC Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN For BNP Paribas Singapore Branch (Local)* | 4,666,666 | 0.718 |
| 20. | Leong Yeng Kit | 4,241,666 | 0.652 |
| 21. | Cartaban Nominees (Tempatan) Sdn. Bhd.<br>*Exempt AN For Standard Chartered Bank Singapore (EFGBHK-Tempatan)* | | |
| 22. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*UBS AG Singapore For Lau Chuen Wai William* | 3,000,000 | 0.461 |
| 23. | Alliancegroup Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Christina Loh Yoke Lin (8111756)* | 2,700,000 | 0.415 |
| 24. | Affin Hwang Investment Bank Berhad<br>*IVT (TWJ)* | 2,633,500 | 0.405 |
| 25. | Public Invest Nominees (Asing) Sdn. Bhd.<br>*Exempt AN For Phillip Securities Pte Ltd (Clients)* | 2,096,604 | 0.322 |
| 26. | Lim Kwong Hon | 1,950,000 | 0.300 |
| 27. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>*CIMB For Lim Chee Hwa (PB)* | 1,877,466 | 0.288 |
| 28. | TA Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Lim Liang Sing* | 1,600,000 | 0.246 |
| 29. | Public Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Beh Lee Fong (E-SS2)* | 1,585,000 | 0.243 |
| 30. | Dzulfadli Husni Bin Dzulkifli | 1,500,000 | 0.230 |

# List of Properties Held Under Capital A Group

| Owner Of Building | Postal Address/ Location Of Building | Description/ Existing Use Of Building | Tenure/Date Of Expiry of Lease | Built-Up Area | Approximate Age Of Building | Audited Net Book Value As At 31 Dec 2021 (RM'000) |
|---|---|---|---|---|---|---|
| AirAsia Berhad | Part of PT.39, Taxiway Charlie at KLIA, KLIA. | Non-permanent structure/aircraft maintenance hangar | 31 March 2022(1) | 2,400 sqm | 19 years | 1,379 |
| | RedQ, Jalan Pekeliling 5, Kuala Lumpur International Airport 2 (klia 2), KL International Airport, 64000 Sepang, Selangor Darul Ehsan. | Permanent Structure/Office building & car park | 31 January 2034(2) | 56,000 sqm | 5 years | 143,214 |
| | RedChain Engineering Building. Jalan KLIA S3, Southern Support Zone, 64000 KLIA, Selangor Darul Ehsan, Malaysia. | Permanent Structure/Office building | 31 January 2034(3) | 21,206 sqm | 2 years | 47,129 |
| | | | | | | 191,722 |

*(1) The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB"). The properties completion date was on December 2003. Revaluation of properties has not been carried out on any of the above properties to date.*

*(2) This refers to the date of expiry of the concession from Malaysia Airports Holdings Berhad for the plot of land occupied by the AirAsia's Headquarters (RedQ).*

*(3) This refers to the date of expiry of the concession from Malaysia Airports Holdings Berhad for the plot of land occupied by the AirAsia Engineering Complex (RedChain).*

*Capital A Berhad (formerly known as AirAsia Group Berhad) does not hold any properties under its name.*

| Owner Of Building | Postal Address/ Location Of Building | Description/ Existing Use Of Building | Tenure/Date Of Expiry of Lease | Built-Up Area | Approximate Age Of Building | Audited Net Book Value As At 31 Dec 2021 (IDR Billions) |
|---|---|---|---|---|---|---|
| PT Indonesia AirAsia | Jalan Marsekal Surya Darma No.1, Sub-District of Selapang Jaya, District of Batuceper, City of Tangerang, Province of Banten, Postcode 15127, Indonesia. | Permanent Structure/Office building & car park | Owned (Mortgage with CIMB) | 11,200 sqm | 7 years | 348 |

**DESCRIPTION OF THE PREMISES**

RedHouse is an office building with a total built-up area of 11,200 square metres situated on 12,463 square metres of land with the following attributes:

| Key Information | | |
|---|---|---|
| Registered Owner | PT AirAsia Mitra Investama | |
| Address | Jalan Marsekal Suryadharma, the Sub-District of Selapang Jaya, District of Batuceper, City of Tangerang, Province of Banten, Indonesia | |
| Type of Asset | Operational | |
| Year of Construction | 2014 | |
| Land Title | Under 13 Hak Guna Bangunan (Right to Build) and 2 Serifikat Hak Milik (Freehold) Land Certificate | |
| Land Use Planning | Trading and services (Kawasan Peruntukan Perdagangan dan Jasa) | |
| Ownership | Ownership or time sharing with Freehold Certificate (SHM) and Rights to Build (SHGB) | |
| Number of Storey | 6 Storeys | |
| Floor Areas | **Main Building**<br>1st Floor Building – 1,847 sqm<br>2nd Floor Building – 1,558 sqm<br>3rd Floor Building – 1,833 sqm<br>4th Floor Building – 1,833 sqm<br>5th Floor Building – 1,860 sqm<br>6th Floor Building – 690 sqm<br>Slab Concreate Building – 668 sqm<br>Flat Roof Building – 781 sqm | **Supporting Building**<br>Management Building – 158 sqm |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifth Annual General Meeting of Capital A Berhad (formerly known as AirAsia Group Berhad) [Registration No.: 201701030323 (1244493-V)] ("the Company") will be conducted as a virtual meeting through live streaming from the Broadcast Venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via the **TIIH Online** website at https://tiih.online on Thursday, 16 June 2022 at 10.00 a.m. for the following purposes:-

**AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2021.

   ***Please refer to Note A.***

2. To approve the Non-Executive Directors' Remuneration as described in Note B for the period from 17 June 2022 until the next Annual General Meeting of the Company to be held in the year 2023. ***(Ordinary Resolution 1)***

   ***Please refer to Note B.***

3. To re-elect the following Directors of the Company who retire by rotation pursuant to Rule 119 and Rule 124 of the Company's Constitution and who being eligible had offered themselves for re-election:-

   (a) Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar (Rule 119); ***(Ordinary Resolution 2)***

   (b) Dato' Fam Lee Ee (Rule 119); and ***(Ordinary Resolution 3)***

   (c) Surina binti Shukri (Rule 124). ***(Ordinary Resolution 4)***

   ***Please refer to Note C.***

4. To re-appoint Ernst & Young PLT as Auditors of the Company and to authorise the Board of Directors to determine their remuneration. ***(Ordinary Resolution 5)***

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass, with or without modifications, the following Resolutions:-

5. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 ("ACT")**

   "**THAT** pursuant to Sections 75 and 76 of the Act, the Constitution of Capital A Berhad (formerly known as AirAsia Group Berhad) (the "Company") and subject to the approval of the relevant authorities, where required, the Board of Directors ("Directors") of the Company be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting." ***(Ordinary Resolution 6)***

   ***Please refer to Note D.***

6. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED MANDATE")**

"**THAT** approval be and is hereby given for the renewal of existing shareholders' mandate and new shareholders' mandate for Capital A Berhad (formerly known as AirAsia Group Berhad) ("the Company") to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("**Recurrent Related Party Transactions**") as set out in Section 2.3 of the Circular to Shareholders dated 29 April 2022 ("**Circular**"), subject further to the following:-

i. the Recurrent Related Party Transactions are entered into in the ordinary course of business which are:

   (a) necessary for the day-to-day operations;

   (b) on normal commercial terms and transaction price which are not more favourable to the related parties than those generally available to the public;

   (c) undertaken on arm's length basis; and

   (d) not to the detriment of the minority shareholders of the Company;

ii. the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:

   (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the AGM at which this shareholders' mandate is approved, at which time it will lapse, unless by an ordinary resolution passed at that AGM, such authority is renewed;

   (b) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

   (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting of the Company,

   whichever is the earliest.

**THAT** the Directors of the Company and/or any one of them be and are hereby authorised to complete and do all such acts and things and take all such steps and to execute all such transactions, deeds, agreements, arrangements and/or undertakings as the Directors in their discretion deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Recurrent Related Party Transactions with full powers to assent to any modifications, variations and/or amendments thereto.

**AND THAT** as the estimates given for the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors of the Company and/or any one of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.6 of the Circular." ***(Ordinary Resolution 7)***

***Please refer to Note E.***

# Notice of Annual General Meeting *(cont'd.)*

7. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF CAPITAL A BERHAD (FORMERLY KNOWN AS AIRASIA GROUP BERHAD) ("THE COMPANY")**

**"THAT** subject always to the Companies Act, 2016 ("**Act**"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Board of Directors ("Directors") of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that:

i. the aggregate number of issued shares in the Company ("**Shares**") purchased ("**Purchased Shares**") or held by the Company pursuant to this resolution does not exceed ten per cent (10%) of the total number of issued shares of the Company at any point in time; and

ii. the maximum amount of funds to be allocated by the Company for the purpose of purchasing its Shares shall not exceed the amount of the retained profits of the Company at the time of the purchase,

("**Proposed Share Buy-Back**").

**THAT** the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this ordinary resolution and will continue to be in force until:

a. the conclusion of the next Annual General Meeting ("**AGM**") of the Company, following at which time the authority shall lapse, unless the authority is renewed by ordinary resolution passed at that meeting, either unconditionally or subject to conditions; or

b. the expiration of the period within which the next AGM of the Company is required by law to be held; or

c. the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, Constitution of the Company, Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

**THAT** the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

i. To cancel all or part of the Purchased Shares;

ii. To retain all or part of the Purchased Shares as treasury shares;

iii. To distribute all or part of the Purchased Shares as dividends to shareholders;

iv. To resell all or part of the Purchased Shares on Bursa Securities in accordance with the relevant rules of Bursa Securities;

v. To transfer all or part of the Purchased Shares for the purposes of or under an employees' share scheme;

vi. To transfer all or part of the Purchased Shares as purchase consideration; and/or

vii. In any other manner as may be prescribed by applicable laws and/or regulations and guidelines applied from time to time by Bursa Securities, and/or any other relevant authority for the time being in force,

**AND THAT** the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and to enter into or execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its Shares." ***(Ordinary Resolution 8)***

***Please refer to Note F.***

**OTHER ORDINARY BUSINESS**

8. To transact any other business of which due notice shall have been given.

By Order of the Board

**HARMINDER SINGH A/L JAILA SINGH**
**(P.C. REG. NO. 201908001591) (LS0009855)**

Company Secretary
Selangor Darul Ehsan, Malaysia
29 April 2022

**VIRTUAL AGM**

1. As part of the measures taken by the Company to curb the spread of Covid-19 and taking into consideration the paramount safety and well-being of the members of the Company, the Fifth Annual General Meeting of the Company ("5th AGM") will be conducted as a virtual meeting through live streaming from the Broadcast Venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia using the RPV facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via the TIIH Online website at **https://tiih.online.** Please follow the procedures as set out in the **Administrative Note** which is available at the Company's website at https://capitala.airasia.com/home_ir.html

2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which require the Chairperson of the meeting to be present at the main venue of the meeting.

3. Members and/or proxy(ies) and/or corporate representative(s) and/or attorney(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 5th AGM, instead are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, participate) remotely at the 5th AGM via the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd.

**NOTES ON APPOINTMENT OF PROXY**

1. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting ("AGM" or "the Meeting"), shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the AGM.

2. A member must be registered in the Record of Depositors at 5.00 p.m. on 8 June 2022 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

# Notice of Annual General Meeting *(cont'd.)*

3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies (or in the case of a corporation, to appoint a representative(s) in accordance with Section 333 of the Companies Act, 2016) to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).

4. The Form of Proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

7. The Form of Proxy or other instruments of appointment shall not be treated as valid unless deposited at the registered office of the Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA Selangor, Malaysia or by electronic lodgement via the **TIIH Online** website at https://tiih.online not less than forty-eight (48) hours before the time set for holding the Meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

9. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**EXPLANATORY NOTES:**

**A. Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2021**

This Agenda item is meant for discussion only in accordance with Sections 248(2) and 340(1) of the Companies Act, 2016 ("the Act"). The audited financial statements do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

**B. To approve the Non-Executive Directors' Remuneration for the period from 17 June 2022 until the next Annual General Meeting ("AGM") of the Company to be held in the year 2023 (Ordinary Resolution 1)**

The Board of Directors ("Directors") recommended that the Non-Executive Directors' Remuneration for the period from 17 June 2022 or any adjournment thereof until the next AGM of the Company to be held in the year 2023 shall remain unchanged as per the financial year ended 31 December 2021, as shown below:-

| **Non-Executive Directors' Fees** (per annum) | **Non-Executive Chairman (RM)** | **Per Non-Executive Director/ Per other Committee Member (RM)** |
|---|---|---|
| Board of Directors | N/A | 262,500 |
| Audit Committee | 75,000 | 60,000 |
| Nomination and Remuneration Committee | 55,000 | 35,000 |
| Safety Review Board | 55,000 | 35,000 |
| Risk Management and Sustainability Committee | 55,000 | 35,000 |
| **Non-Executive Directors' Benefits** (per attendance by each Director or committee member) | **Board of Directors (RM)** | **Board Committees (RM)** |
| Meeting allowance | 2,000 | 2,000 |
| **Other Non-Executive Directors' Benefits** | | |
| Insurance premiums on medical coverage, and other claimable expenses incurred in the course of carrying out their duties. | Up to a total amount of RM100,000 for all Non-Executive Directors. | |

The shareholders' approval being sought under **Ordinary Resolution 1** is for the payment of the remuneration to the Non-Executive Directors of the Company for the period from 17 June 2022 or any adjournment thereof up to the next AGM of the Company to be held in the year 2023 in accordance with the remuneration structure as set out above, and to authorise the Board of Directors to disburse the fees on a monthly basis.

In view of the significant impact of the Covid-19 pandemic and the difficult economic circumstances facing the aviation industry, the Non-Executive Directors of the Company had voluntarily offered to receive a 50% reduction in their fees for the period from 1 May 2020 until such time to be determined by the Directors. The Nomination and Remuneration Committee ("NRC") had recommended, and the Directors affirmed that the voluntary 50% reduction in the Non-Executive Directors' fees shall cease with effect from 1 January 2022 and accordingly, their fees as per the remuneration structure approved by the shareholders of the Company at its Fourth AGM held on 22 July 2021 shall be paid in full with effect from 1 January 2022.

**C. Re-election of Directors of the Company who retire by rotation pursuant to Rule 119 and Rule 124 of the Company's Constitution and who being eligible had offered themselves for re-election (Ordinary Resolutions 2, 3 and 4)**

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar and Dato' Fam Lee Ee (collectively "the retiring Directors") are due for retirement by rotation pursuant to Rule 119 of the Constitution of the Company, and being eligible, had offered themselves for re-election as Directors of the Company at the upcoming Fifth Annual General Meeting ("5th AGM") of the Company.

For the purpose of determining the eligibility of the retiring Directors to stand for re-election at the 5th AGM and in accordance with Practice 6.1 of the Malaysian Code on Corporate Governance 2021 ("MCCG"), the Board through its Nomination and Remuneration Committee ("NRC") had conducted an assessment of the Directors of the Company based on (i) performance and level of contribution to Board deliberation through their skills and experience; and (ii) level of objectivity, impartiality and their abilities to act in the best interest of the Company. The Board had endorsed the NRC's recommendation that the retiring Directors are eligible to stand for re-election based on the satisfactory findings of the last Board performance evaluation.

Rule 124 of the Constitution stipulates that the Directors may appoint a person who is willing to act as Director, either to fill a casual vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Company's Constitution as the maximum number of Directors. A Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Puan Surina binti Shukri was appointed as an Independent Non-Executive Director of Capital A with effect from 31 January 2022, and being eligible, she has offered herself for re-election in accordance with Rule 124 of the Company's Constitution.

Pursuant to Practice 5.7 of the MCCG, and Paragraph 8.27(2) and Appendix 8A of the MMLR of Bursa Securities, the profile of the Directors seeking re-election are set out in the Company's Annual Report 2021 and on its corporate website.

**D. Authority to allot shares pursuant to Sections 75 and 76 of the Act (Ordinary Resolution 5)**

**Ordinary Resolution 6** if passed, will empower the Directors of the Company authority to issue ordinary shares in the Company at their discretion without having to first convene another general meeting provided that the aggregate number of shares issued pursuant to this resolution during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company at any point of time ("Proposed 10% General Mandate"). The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM of the Company is required by law to be held, whichever is earlier.

The Proposed 10% General Mandate, if granted, will provide the flexibility to the Company for any future fund raising activities, including but not limited to further placing of shares for the purposes of funding future investment project(s), repayment of bank borrowing(s), working capital and/or acquisition(s), or such other application as the Directors may deem fit in the best interest of the Company, and thereby reducing administrative time and costs associated with the convening of additional shareholders' meeting(s).

**E. Proposed Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate") (Ordinary Resolution 6)**

**Ordinary Resolution 7**, if passed, will allow the Group to enter into Recurrent Related Party Transactions of a revenue or trading nature pursuant to the provisions of the MMLR of Bursa Securities. Please refer to the Circular to Shareholders dated 29 April 2022 for further information.

**F. Proposed Renewal of Share Buy-Back Authority of the Company (Ordinary Resolution 8)**

**Ordinary Resolution 8**, if passed, will empower the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company through Bursa Securities as may be determined by the Directors of the Company at any time within the time stipulated by utilising the funds allocated out of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase. Details of the Proposed Share Buy-Back are contained in the Statement to Shareholders dated 29 April 2022.

# Glossary

## Airlines

| | |
|---|---|
| **Aircraft at end of period** | Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period. |
| **Aircraft utilisation** | Average number of block hours per day per aircraft operated. |
| **Available Seat Kilometres (ASK)** | Total seats flown multiplied by the number of kilometres flown. |
| **Average fare** | Passenger seat sales, surcharges and fees divided by number of passengers. |
| **Block hours** | Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport. |
| **Capacity** | Number of seats flown. |
| **Cost per ASK (CASK)** | Revenue less net operating profit divided by available seat kilometres. |
| **Cost per ASK, excluding fuel (CASK ex fuel)** | Revenue less net operating profit and aircraft fuel expenses, divided by available seat kilometres. |
| **Load factor** | Number of passengers as a percentage of capacity. |
| **Passengers carried** | Number of earned seats flown. Earned seats comprise seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel. |
| **Revenue per ASK (RASK)** | Revenue excluding lease income divided by available seat kilometres. |
| **Revenue Passenger Kilometres (RPK)** | Number of passengers multiplied by the number of kilometres those passengers have flown. |
| **Stage Length** | Length of the journey flown by a one-way flight. |

## Digital

| | |
|---|---|
| **Average monthly Gross Booking Value** | Average booking price for all bookings of Super App products in a month. |
| **Average monthly page views** | Number of pages visited by users per month. |
| **Carded Users** | Number of users with an active card. |
| **Crowdsourced Riders** | Delivery partner to deliver packages to customers. |
| **Monthly Active Users** | Number of unique users who visit a site within the month. |

# Form of Proxy

capital A

Capital A Berhad (formely known as AirAsia Group Berhad)
[Registration No.: 201701030323 (1244493-V)]

["the Company"] Incorporated in Malaysia

I/We ______________________________ NRIC No./Passport No./Co. No.: ______________
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS) (COMPULSORY)

of ______________________________
(FULL ADDRESS)

telephone no. ______________, email address ______________, being a member of the

Company, hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No.: ______________, of ______________
(COMPULSORY) (FULL ADDRESS)

______________, telephone no. ______________, email address ______________

and ______________________________, NRIC No./Passport No.: ______________,
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ______________________________
(FULL ADDRESS)

telephone no. ______________, email address ______________,

* or failing him/her, the Chairman of the Meeting, as my/our proxy(ies) to vote in my/our name and on my/our behalf at the Fifth Annual General Meeting ("5th AGM") of the Company to be conducted as a virtual meeting through live streaming from the Broadcast Venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via the TIIH Online website at https://tiih.online on Thursday, 16 June 2022 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of the 5th AGM, and to vote as indicated below:

| AGENDA | | | |
|---|---|---|---|
| No. 1 | To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2021. | | |
| **Resolutions** | **Description** | **FOR** | **AGAINST** |
| **Ordinary Business** | | | |
| Ordinary Resolution 1 | To approve the Non-Executive Directors' Remuneration for the period from 17 June 2022 until the next Annual General Meeting of the Company to be held in the year 2023 | | |
| Ordinary Resolution 2 | To re-elect Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution | | |
| Ordinary Resolution 3 | To re-elect Dato' Fam Lee Ee as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution | | |
| Ordinary Resolution 4 | To re-elect Surina binti Shukri as a Director of the Company, who retires by rotation pursuant to Rule 124 of the Company's Constitution | | |
| Ordinary Resolution 5 | To re-appoint Ernst & Young PLT as Auditors of the Company and to authorise the Board of Directors to determine their remuneration | | |
| **Special Business** | | | |
| Ordinary Resolution 6 | Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 | | |
| Ordinary Resolution 7 | Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature | | |
| Ordinary Resolution 8 | Proposed Renewal of Share Buy-Back Authority of the Company | | |

*(Please indicate with an "X" in the appropriate spaces how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting, as he/she thinks fit.)*

**Delete the words "or failing him/her, the Chairman of the Meeting" if not applicable.*

| | | | |
|---|---|---|---|
| No. of shares held: | | | |
| CDS Account No.: | | | |
| The proportion of my/our holding to be represented by my/our proxies are as follows: | | **No. of Shares** | **Percentage** |
| | First Proxy | | |
| | Second Proxy | | |
| Date: | | | |

______________________________
Signature(s)/Common Seal of Members(s)

**VIRTUAL AGM**

1. As part of the measures by the Company to curb the spread of Covid-19 and taking into consideration the paramount safety and well-being of the Company's shareholders, the 5th AGM of the Company will be conducted as a virtual meeting through live streaming from the Broadcast Venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via the **TIIH Online** website at https://tiih.online. Please follow the procedures as set out in the **Administrative Note** which is available at the Company's website at https://capitala.airasia.com/home_ir.html
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which require the Chairperson of the meeting to be present at the main venue of the meeting.
3. Members and/or proxy(ies) and/or corporate representative(s) and/or attorneys **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 5th AGM, instead are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, participate) remotely at the 5th AGM via the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd.

**Notes to Form of Proxy**

1. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting ("AGM" or "the Meeting"), shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the AGM.
2. A member must be registered in the Record of Depositors at 5.00 p.m. on 8 June 2022 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies (or in the case of a corporation, to appoint a representative(s) in accordance with Section 333 of the Companies Act, 2016) to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
4. The Form of Proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. The Form of Proxy or other instruments of appointment shall not be treated as valid unless deposited at the registered office of the Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA Selangor, Malaysia or by electronic lodgement via the **TIIH Online** website at https://tiih.online not less than forty-eight (48) hours before the time set for holding the Meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

**Personal data privacy notice:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with all applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will fully and wholly indemnify the Company on full indemnity basis (whether demanded or not) in respect of penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the warranty.

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**Stamp**

The Company Secretary
**CAPITAL A BERHAD**
**(FORMERLY KNOWN AS AIRASIA GROUP BERHAD)**
[Registration No.: 201701030323 (1244493-V)]
RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa
Kuala Lumpur (klia2), 64000 KLIA
Selangor Darul Ehsan, Malaysia

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**Capital A Berhad** **(formerly known as AirAsia Group Berhad)**
**[Registration No.: 201701030323 (1244493-V)]**
**RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2),**
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