CAPITAL A BERHAD ("CAPITAL A" OR THE "COMPANY")

PROPOSED REGULARISATION PLAN

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1. INTRODUCTION

On 8 July 2020, the board of directors of Capital A ("**Board**") had announced that Capital A and its subsidiaries ("**Capital A Group**" or "**Group**") had triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(e) of Practice Note 17 ("**PN17**") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"), where the Company's external auditors, Messrs Ernst & Young PLT ("**EY**"), had issued an unqualified audit opinion with emphasis of matter on material uncertainty relating to going concern ("**Going Concern Opinion**") in respect of the Company's audited financial statements for the financial year ended ("**FYE**") 31 December 2019 and the Company's shareholders' equity on a consolidated basis was 50% or less of its share capital (excluding treasury shares) ("**Shareholders' Equity Shortfall**").

Subsequently on 27 May 2021, the Board had announced that Capital A had also triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(a) of PN17 of the Listing Requirements, where the Company's shareholders' equity on a consolidated basis was 25% or less of its share capital (excluding treasury shares) and such shareholders' equity was less than RM40 million based on the audited financial statements for the FYE 31 December 2020.

The Company had since submitted several applications for the extension of time to submit the regularisation plan, in which Bursa Malaysia Securities Berhad ("**Bursa Securities**") had approved the applications for extension of time with the latest being up to 31 December 2024 for the Company to finalise and submit the regularisation plan to regularise its financial condition to the relevant authorities.

On behalf of the Board, RHB Investment Bank Berhad ("**RHB Investment Bank**") wishes to announce that the Company is proposing to undertake the following corporate proposal to regularise its financial condition in accordance with Paragraph 8.04(3) of the Listing Requirements ("**Proposed Regularisation Plan**"):

(a) proposed reduction of the issued share capital of the Company of up to RM6,000.0 million pursuant to Section 116 of the Companies Act 2016 ("**Act**") to set-off the accumulated losses of the Group ("**Proposed Capital Reduction**").

Further details of the Proposed Regularisation Plan are set out in the ensuing sections of this Announcement.

2. PRE-REGULARISATION MEASURES UNDERTAKEN BY CAPITAL A GROUP

The Company has taken active steps to regularise and improve its financial condition. The Company has completed the following exercises in an attempt to regularise its business:

(a) Since the pandemic, the Group has undertaken major cost control measures including right sizing of manpower, salary cuts for management, staff and directors, re-negotiation of contracts with aircraft lessors, suppliers and partners, and restructuring of fuel hedging positions, which had significantly reduced the cash burn rate;

(b) implemented continuous improvements to flight capacity and network revenue management in response to the progressive uplifting of travel restrictions by the respective countries coupled with active fleet management, consistent monitoring of routes profitability and optimisation of load factors of its flights. As at 30 September 2024, being the latest practicable date prior to the Announcement ("**LPD**"), the Group has successfully taken 200 aircraft out of storage; out of which the Group is operating 187 aircraft. The Group was operating 196 aircraft immediately prior to the pandemic;

(c) On 21 August 2024, AirAsia RB1 Ltd ("**AARB1**"), the wholly-owned subsidiary of AirAsia Berhad ("**AAB**"), entered into definitive agreements with aircraft lessors and private credit funds for the issuance by AARB1, of Regulation S secured bonds of up to USD443.0 million, due September 2026 and August 2028, with AAB as a third party security provider, and both AAB and the Company as corporate guarantors ("**Revenue Bond**"). The Revenue Bond was issued on 23 August 2024 to raise proceeds which shall be on-lent by AARB1 to AAB, for AAB to refinance its lease liabilities, aircraft and engine maintenance costs, and to support the working capital requirements of AAB; and

(d) Capital A has been continuously improving and growing the Group's other core verticals namely, the Capital A aviation services (which mainly comprise aviation maintenance, repair and overhaul ("**MRO**") as well as inflight catering and on-the-ground food services), logistics services under "Teleport", digital businesses namely, online travel agency under the name "AirAsia MOVE" and digital financial services under the name "BigPay") and "AirAsia" brand management businesses; the details of which are set out in the ensuing sub-sections of this Announcement.

As highlighted in Section 1 above, Capital A's external auditors, EY had in previous financial years issued the Going Concern Opinion, which coupled with the Shareholders' Equity Shortfall, had resulted in the Company triggering the PN17 criteria.

EY had subsequently issued an unqualified opinion in the Company's audited financial statements for the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023.

On 14 October 2024, the Company had obtained the approvals from its non-interested shareholders and the non-interested holders of the redeemable convertible unsecured Islamic debt securities 2021/2028 in the Company ("**RCUIDS**") at its extraordinary general meeting and RCUIDS holders meeting in respect of the following corporate exercises:

(i) proposed disposal by the Company of its 100% equity interest in AirAsia Aviation Group Limited ("**AAAGL**") to AirAsia X Berhad ("**AAX**") for a disposal consideration of RM3,000.0 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 new ordinary shares in AAX ("**Consideration Shares**") at an issue price of RM1.30 each ("**Proposed AAAGL Disposal**");

(ii) proposed disposal by the Company of its 100% equity interest in AirAsia Berhad ("**AAB**") to AAX for a disposal consideration of RM3,800.0 million to be satisfied entirely via the assumption by AAX of an amount of RM3,800.0 million owing by the Company to AAB ("**Proposed AAB Disposal**"); and

(iii) proposed distribution by the Company of 1,692,307,692 Consideration Shares ("**Distribution Shares**") to the entitled shareholders of the Company by way of a proposed reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act ("**Proposed Distribution**")

(collectively, the "**Proposed Corporate Exercises**"). For further information on the Proposed Corporate Exercises, please refer to the Circular to the shareholders of the Company dated 20 September 2024, which can be downloaded from the following link: https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3485224.

Upon completion of the Proposed Corporate Exercises, the Group's core businesses are principally in the following:

(i) Capital A Aviation Services

(a) Aviation MRO: Aviation MRO services, which includes line maintenance services, base maintenance services, workshop services, components and warehouse services and technical advisory services carried out by Asia Digital Engineering Sdn Bhd ("**ADE**"), the Company's wholly-owned subsidiary, and the subsidiaries of ADE; and

(b) In-flight Catering: Provision of in-flight catering and services to AirAsia flights, other airlines and other modes of transportation, supplier of ready-to-eat means to retail outlets and catering services under the "Santan Café" tradename carried out by Santan Food Services Sdn Bhd (formerly known as Santan Restaurant Sdn Bhd) ("**Santan**"), the Company's wholly-owned subsidiary.

(ii) Digital Businesses under MOVE Digital

(a) Online travel agency: Operations and management of an online travel agency focusing on selling flight tickets, hotels, airport transfer, duty free shopping, loyalty program via AirAsia Rewards and other travel related services carried out by AirAsia MOVE Sdn Bhd (formerly known as AirAsia SuperApp Sdn Bhd) ("**AirAsia MOVE**"), the Company's 96.19%-owned subsidiary, and its subsidiaries; and

(b) Financial technology services: Digital financial services business, which includes payment, remittance, lending and money management services carried out by Big Pay Pte Ltd ("**BigPay**"), the Company's 99.56%-owned subsidiary, and its subsidiaries.

(iii) Logistics

Logistics: Logistics services and solutions under the name "Teleport", carried out by Teleport Everywhere Pte Ltd ("**Teleport**"), the Company's 77.56%-owned subsidiary, and its subsidiaries.

(iv) AirAsia Brand

Brand and intellectual property company: Brand and intellectual property development, licensing and management business carried out by Brand AA Sdn Bhd ("**Brand AA**"), the Company's wholly-owned subsidiary, as exclusive licensor for the AirAsia Brand.

The details of ADE, AirAsia MOVE, BigPay, Teleport, Brand AA and Santan are set out below.

2.1. ADE

In carrying out the aviation MRO business, ADE primarily provides the following services:

(a) **Engineering Maintenance Services ("EMS")** – comprises mainly line maintenance, base maintenance and workshops. Line maintenance entails providing maintenance activities carried out before a flight to ensure the flight is fit for the intended flight and does not require hangar space. On the other hand, base maintenance entails routine hangar maintenance checks or ad-hoc defect investigations, rectification or refurbishment services. ADE has workshops for wheels, brakes, oxygen bottles, batteries, composites and sheet metal, and quick engine change.

(b) **Component and Warehouse Services** ("**CWS**") – comprises mainly the provision of consumables, parts, equipment and tools inventory access and repair management. Provision of consumables entails the provision of consumables required for line maintenance and base maintenance services, as well as a marketplace for aircraft spare parts, trading, component leasing and exchanges. Parts, equipment and inventory tool access allow airlines to have access to an inventory of parts, equipment and/or tools as and when it is required. Repair management entails the management of repair of aircraft parts including engine, auxiliary power unit, landing gear and components carried out by external workshop;

(c) **Engineering Support Services** ("**ESS**") – comprises fleet and technical asset management for maintenance activities and aircraft technical records. It also comprises the validation of technical design changes and issuance of the Design Organisation Approval from the Civil Aviation Authority; and

(d) **Digital and Innovation Services** ("**DIS**") – comprises business-to-business ("**B2B**") online marketplace to facilitate the buying and selling of new and used aircraft parts, predictive and preventive maintenance system; as well as a learning and training management platform for aviation MRO services training.

A summary of the key financial performance of the ADE for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	101,333	285,772	573,996
Profit before tax ("**PBT**")/ (Loss before tax) ("**LBT**")	6,254	46,325	88,398
Profit after tax ("**PAT**")/ (Loss after tax) ("**LAT**")	(6,509)	32,500	115,325

Commentaries of past financial performance:

FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, ADE recorded a revenue of RM285.8 million, which represents an increase of 182% as compared to RM101.3 million for the preceding financial year. The increase in revenue was mainly attributable to the relaxation of travel restrictions in various countries that have led to travel resumption and increased flights which have driven the demand for aviation MRO services, namely the revenue from line maintenance under the EMS and from the CWS which increased by 54% and 1005% respectively. ADE also expanded its hangar capacity from 1 to 5 hangar lines with the addition of 4 hangar lines in Subang Airport, Selangor in August 2022.

ADE recorded a PAT of RM32.5 million for the FYE 31 December 2022 as compared to a LAT of RM6.5 million for the preceding financial year, mainly attributable to the increase in the revenue from aviation MRO services by 182% with the expansion of hangar capacity. Cost of services increased by 146% from RM77.0 million to RM189.1 million in line with the increase in aviation MRO services.

FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, ADE recorded a revenue of RM574.0 million, which represents an increase of 101% as compared to RM285.8 million for the preceding financial year. The increase in revenue was mainly attributable to the increase in demand of aviation MRO services as a result of surge in flight activity, coupled with the expanded hangar capacity with the launch of 2 hangar lines in Senai International Airport, Johor in April 2023. Revenue from line maintenance under EMS and CWS increased by 21% and 144% respectively.

ADE recorded a PAT of RM115.3 million for the FYE 31 December 2023, which represents an increase of 255% as compared to a PAT of RM32.5 million for the preceding financial year, mainly attributable to the increase in the revenue from aviation MRO services by 101% with the expansion of hangar capacity. In tandem with the increase in the aviation MRO activities, the cost of services has also increased by 114%. Further, the finance costs of ADE have increased by RM20.2 million mainly due to the financing costs to fund the construction of new hangar lines in KLIA. In addition, during the FYE 31 December 2023, ADE was granted a special incentive package of income tax exemption on business statutory income by the Ministry of Finance for a period of 10 years, commencing from the year of assessment 2022 in respect of EMS, ESS and DIS. ADE recorded income tax benefits of RM26.9 million for the FYE 31 December 2023.

2.2. AirAsia MOVE

AirAsia MOVE operates and manages a platform that offers travellers a variety of travel-related services, ranging from flights, hotels, duty-free shopping, travel insurance, and airport transfers.

AirAsia MOVE aims to fulfil the needs of value-conscious travellers, leading to the creation of travel-related service bundles such as flight + hotel bundles and ASEAN Explorer - unlimited travel passes, as well as financial technology offerings that provide cheap payment options, pay later facilities and insurance to manage travel risks, and advanced booking rates. Advanced booking rates and flight + hotel bundles not only benefit travellers, but also airlines and hotels as they can fill their capacity early.

Accessible through a mobile app or web platform, the AirAsia MOVE ecosystem is integrated with its loyalty program, AirAsia rewards and the BigPay e-wallet, further enriching the user experience and providing seamless access to its offerings.

Part of AirAsia MOVE's future strategies include the following:

(a) Enhancing the AirAsia MOVE platform to improve user experience and personalise user journey;

(b) Forming strategic partnerships to expand the range of service offerings, building its brand and expanding its user base;

(c) Investing in promotional activities and launching new products and services; and

(d) Implementation of personalized promotions and dynamic pricing strategies to improve customer conversion rates.

A summary of the key financial performance of the AirAsia MOVE and its subsidiaries ("**AirAsia MOVE Group**") for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Unaudited *		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	150,016	377,745	668,896
PBT/(LBT)	(140,996)	(110,403)	67,395
PAT/(LAT)	(141,177)	(112,990)	58,111

Note:

* *For the avoidance of doubt, there are no audited consolidated financial statements prepared for AirAsia MOVE Group for all the past 3 financial years up to and including FYE 31 December 2023. The financial results of the AirAsia MOVE Group shown above is based on the compilation of the audited financial results of the AirAsia MOVE Group prepared by the management of the Company.*

Commentaries of past financial performance:

FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, AirAsia MOVE Group recorded a revenue of RM377.7 million, which represents an increase of 152% as compared to RM150.0 million for the preceding financial year. The increase in revenue was mainly driven by continued resurgence of travel demand from border reopening and tactical campaigns, alongside with the recognition of revenue from AirAsia Rewards. Capitalising on demand, AirAsia MOVE launched SUPER+, offering unlimited travel for a year on all AirAsia flights for a fixed fee.

AirAsia MOVE Group recorded an improvement in the LAT of RM113.0 million for the FYE 31 December 2022 as compared to a LAT of RM141.2 million for the preceding financial year, mainly attributable to the increase in the revenue generated from transactions made on AirAsia MOVE. In terms of monthly active users ("**MAU**"), AirAsia MOVE super achieved 12.0 million average MAU during the FYE 31 December 2022 primarily due to the return of travel and increased user acquisition on the mobile application. Additionally, the number of transactions for the financial year increased, which was driven primarily by increased transactions from AirAsia Flights, AirAsia Ride, FlyBeyond, and SUPER+.

FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, AirAsia MOVE Group recorded a revenue of RM668.9 million, which represents an increase of 77% as compared to RM377.7 million for the preceding financial year. The increase in revenue was mainly driven by continued increase in air travel and increased user acquisition on the mobile application.

AirAsia MOVE Group recorded an improvement in the PAT of RM58.1 million for the FYE 31 December 2023 as compared to a LAT of RM113.0 million for the preceding financial year, mainly attributable to higher revenue from the continued increase in air travel as well as increased user acquisition on the mobile application. In terms of MAU, AirAsia MOVE achieved 15.0 million average MAU during the FYE 31 December 2023 primarily due to the increased transactions from AirAsia Flights, AirAsia Ride and FlyBeyond.

2.3. BigPay

BigPay is principally involved in financial technology services. It offers digital financial services through the BigPay platform which comprises a mobile application, an e-wallet and a physical prepaid card. Currently, BigPay platform users can obtain a virtual account in Malaysia, Singapore and Thailand immediately when they sign up for BigPay.

BigPay's products and services are primarily as follows:

(a) **Payment services** – payments from BigPay users' accounts to merchants globally via the BigPay VISA Prepaid card, DuitNow QR feature which is a cashless payment method using QR code scanning function and cross-border QR where BigPay users in Malaysia can pay by scanning QR codes provided when they are travelling overseas. It also has a split bill feature which allows BigPay users to split bill payments with other BigPay users;

(b) **Remittance and domestic transfer services** – transfer of funds from BigPay platform accounts to other BigPay users or to bank accounts around the world via peer-to-peer transfer, DuitNow Transfer and DuitNow QR, local bank transfer and international remittance;

(c) **E-wallets and Stashes** – E-wallets allow BigPay users to track their financial well-being and spending on the BigPay platform. A feature on the BigPay platform, "**Stashes**", allows BigPay users to set aside their funds from their main BigPay e-wallet to separate "stashes" in their BigPay account. BigPay users can set aside portions of their funds from their BigPay account into separate "stashes" to help them budget and manage their money or spending;

(d) **Marketplace** – allows BigPay users to purchase or pay for life or medical insurance, or smart device protection and loan protection. It also allows BigPay users to make bill payments for utilities, mobile postpaid bills as well as purchase reloads for pre-paid mobile plans; and

(e) **Lending services** – allows BigPay users to apply for, obtain approval for and receive personal loans.

A summary of the key financial performance of the BigPay and its subsidiaries ("**BigPay Group**") for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	[(a)]2021	**[(a)]2022**	**[(a)]2023**
	RM'000	**RM'000**	**RM'000**
Revenue	20,879	30,036	46,010
PBT/(LBT)	(138,807)	(133,741)	(103,881)
PAT/(LAT)	(138,807)	(133,763)	(103,881)

Note:

(a) The consolidated financial statements of BigPay Group for the past 3 financial years up to and including the FYE 31 December 2023 has been prepared using USD. The following exchange rates are used to derive at the historical financial information shown above:

FYE 31 December 2021 – USD1:RM4.1650;
FYE 31 December 2022 – USD1:RM4.3900; and
FYE 31 December 2023 – USD1:RM4.5900.

Commentaries of past financial performance:

FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, BigPay Group recorded a revenue of RM30.0 million, representing an increase of 44% from RM20.9 million revenue recorded in the preceding financial year. This was driven by growth in usage and volume within both the payments and remittance businesses, in line with travel recovery and the expansion of the product offerings, such as the launch of Malaysia's national instant payments and transfers (DuitNow), and additional 35 international remittance corridors in Europe and the United Kingdom. The payments business also had an improvement in margins from a higher take rate from international payments. BigPay launched its digital personal loan by leveraging on its data-based credit scoring and offering competitive interest rates. It also launched Stashes to provide users a simple way to reach their saving goals by simply rounding up their payments to the nearest ringgit and transferring the difference into their personalised Stash. BigPay's carded users stood at 1.3 million as at 31 December 2022 as compared to 1.0 million as at 31 December 2021.

BigPay Group recorded an improvement in the LAT of RM133.8 million for the FYE 31 December 2022 as compared to a LAT of RM138.8 million for the preceding financial year, mainly attributable to improvements in operating and marketing efficiency and higher margin as compared to preceding financial year. BigPay and AirAsia MOVE had collaborated to share capabilities like mobile engineering, digital growth and marketing and user experience design to improve efficiency and provide cost savings and avoidance and allow teams to improve their skill sets through enlarged learning opportunities. In addition, BigPay had introduced foreign currency spread to its users for payment transactions in foreign currency, which allows BigPay to pass on the fees charged by Visa to BigPay for settlement of payment transactions in foreign currency. It had also undertaken a headcount rationalisation exercise since August 2022.

FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, BigPay Group recorded a revenue of RM46.0 million, representing an increase of 53% from RM30.0 million revenue recorded in the preceding financial year. This was driven by the introduction of cross border fee and credit card top up fee as well as growth in usage and volume within the payments, remittance and lending businesses. BigPay's carded users stood at 1.5 million as at 31 December 2023 as compared to 1.3 million as at 31 December 2022.

BigPay Group recorded an improvement in the LAT of RM103.9 million for the FYE 31 December 2023 as compared to a LAT of RM133.8 million for the preceding financial year, mainly attributable to the increase in revenue and improvement in cost management with lower operating expenses.

2.4. Teleport

Teleport is involved in the provision of the following services:

(a) Teleport Cargo – Airport-to-airport logistics services using AirAsia's network of passenger aircraft belly space, freighter aircraft and third-party airlines;

(b) Teleport Solutions – Customisable first- to last-mile cross-border delivery services; and

(c) Teleport Next Day – Cross-border door-to-door parcel delivery services carried out within the next day.

Its customers are mainly global freight forwarders, courier companies, e-commerce marketplaces, retailers, airlines and other multinational and local conglomerates and companies exporting their products.

Teleport works with AirAsia and third-party airlines (such as Etihad Cargo, Turkish Cargo, Garuda Indonesia, SF Airlines, Air New Zealand, United Parcel Service (UPS) and Pakistan International Airlines) to utilise cargo belly and cargo space of passenger and freighter aircraft to make mid-mile deliveries. Teleport had inducted three Airbus A321 Freighters into its fleet to better serve high-demand cargo routes. Its first- and last-mile delivery capability comprises contracted riders and drivers or on a crowdsource basis, in combination with selected third-party delivery companies.

A summary of the key financial performance of the Teleport and its subsidiaries ("**Teleport Group**") for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	[a]2021	**[a]2022**	**[a]2023**
	RM'000	**RM'000**	**RM'000**
Revenue	533,653	478,716	744,718
PBT/(LBT)	(50,955)	(63,370)	(4,971)
PAT/(LAT)	(51,534)	(66,166)	(3,130)

Note:

(a) *The audited consolidated financial statements of Teleport Group for the past 3 financial years up to and including the FYE 31 December 2023 has been prepared using USD. The following exchange rates are used to derive at the historical financial information shown above:*

FYE 31 December 2021 – USD1.00:RM4.1650;
FYE 31 December 2022 – USD1.00:RM4.3900; and
FYE 31 December 2023 – USD1.00:RM4.5900.

Commentaries of past financial performance:

FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, Teleport Group recorded a revenue of RM478.7 million, representing a decrease of 10% from RM533.7 million revenue recorded in the preceding financial year. The recovery of air travel especially in the second half of 2022 had allowed Teleport to access its key advantage, namely AirAsia passenger aircraft belly space. AirAsia's passenger network has been recovering throughout 2022 which saw the return of high margin belly cargo for Teleport. This has replaced the low margin passenger-to-cargo planes deployed throughout 2021 and the first half of 2022. The delivery segment volume grew from 1.2 million deliveries in the FYE 31 December 2021 to 8.0 million deliveries in the FYE 31 December 2022 and the unit economics improved as Teleport increased the proportion of deliveries utilising air cargo.

Teleport Group recorded a LAT of RM66.2 million for the FYE 31 December 2022 as compared to a LAT of RM51.5 million for the preceding financial year, mainly attributable to the high operating costs for phasing out the converted passenger-to-cargo planes.

FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, Teleport Group recorded a revenue of RM744.7 million, representing an increase of 56% from RM478.7 million revenue recorded in the preceding financial year. The delivery segment volume grew from 8.0 million deliveries in the FYE 31 December 2022 to 29.9 million deliveries in the FYE 31 December 2023 and the unit economics improved as Teleport increased the proportion of deliveries utilising air cargo.

Teleport Group recorded a LAT of RM3.1 million for the FYE 31 December 2023, an improvement as compared to a LAT of RM66.2 million for the preceding financial year, mainly attributable to reopening of international borders after COVID-19 lockdowns and the positive impact of the return of passenger aircraft belly capacity to Teleport to operate.

2.5. Brand AA

Brand AA is the sole proprietor of the intellectual property representing the AirAsia brand ("**AirAsia Brand**"). Prior to 27 June 2023, AAB was the registered proprietor for all the rights in the AirAsia Brand. On 27 June 2023, AAB entered into an intellectual property assignment agreement with Capital A and Brand AA for the transfer of the AirAsia Brand from AAB to Brand AA. Subsequently, Brand AA now holds the right to grant licenses in relation to the intellectual property rights to use the trade name and livery of the AirAsia Brand.

Pursuant to the master brand licensing agreement entered into between AAB and AAAGL dated 31 May 2023 ("**MBLA**"), AAB is entitled to collect a royalty fee from AAAGL. AAAGL as the exclusive licensee, in turn had executed a tripartite Brand Sub-Licensing Agreement ("**SBLA**") with each of the airline operating companies ("**AOCs**"), namely IAA, PAA, TAA, CAA and AAB, and the holding company of IAA, PAA and TAA, as well as Thai AirAsia X Co. Ltd ("**TAAX**"), where AAAGL is entitled to collect a sub-license royalty fee. Upon completion of the transfer of the AirAsia Brand from AAB to Brand AA, Brand AA assumes AAB's right under the MBLA to collect the royalty fee from AAAGL who in turn collects the sub-license royalty fees from the AOCs and TAAX. Brand AA charges a royalty fee rate of 1% on all revenues (including fares and ancillary income) of the AOCs and TAAX whereas AAX pays a royalty fee of 0.5%.

Subject to negotiation with AAX, Capital A intends to procure AAX to execute a brand sub-licensing agreement upon completion of the Proposed Corporate Exercises to streamline the control of the licensing of the AirAsia Brand and the royalty fee rate charged on the AOCs, TAAX and AAX.

A summary of the key financial performance of Brand AA for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Revenue	-	-	44,685
PBT/(LBT)	(35)	(47)	16,122
PAT/(LAT)	(35)	(47)	12,199

Commentaries of past financial performance:

FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, Brand AA did not generate any revenue as it was a special purpose vehicle company with no business operations. Brand AA recorded a LAT of RM0.05 million for FYE 31 December 2021 mainly attributable to the management fee and audit fee incurred.

FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, Brand AA recorded a revenue of RM44.7 million attributable to the royalty fee derived from AAAGL pursuant to the MBLA mainly attributable to sub-license royalty fees collected from TAA, IAA, PAA and AAB.

Brand AA recorded a PAT of RM12.2 million for the FYE 31 December 2023 mainly attributable to the royalty fee derived from AAAGL and partially offset by the staff-related costs, management fee and public relation expenses incurred.

2.6. Santan

Santan mainly carries out the inflight catering services as well as food services on the ground under operation and management of a café chain under the "Santan Café" trade name, and the preparation and sale of frozen and ready-to-eat food in convenience stores.

Santan's customer base for its airline catering business are AAB, AAX, IAA and PAA. Meanwhile, its customers for its café chain are consumers while its customers for its frozen and ready-to-eat food are food and beverage service providers and retailers.

A summary of the key financial performance of the Santan for the past 3 financial years up to the FYE 31 December 2023 is set out below:

	Audited		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	2,828	34,986	133,600
PBT/(LBT)	(4,703)	(4,989)	19,790
PAT/(LAT)	(4,703)	(4,989)	15,814

Commentaries of past financial performance:

FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, Santan recorded a revenue of RM35.0 million, which represents an increase of 1150% as compared to RM2.8 million for the preceding financial year. The increase in revenue was mainly attributable to the launch of the in-flight catering business in August 2022 supported by the reopening of borders as well as the lifting of social restrictions which led to a higher footfall to Santan restaurants.

Santan recorded a LAT of RM5.0 million for the FYE 31 December 2022 as compared to a LAT of RM4.7 million for the preceding financial year, mainly attributable to higher operating expenses arising from launch of the in-flight catering business in August 2022.

FYE 31 December 2023 compared to FYE 31 December 2022

For the FYE 31 December 2023, Santan recorded a revenue of RM133.6 million, which represents an increase of 282% as compared to RM35.0 million for the preceding financial year. The increase in revenue was mainly attributable to the surge in demand for in-flight products in line with the recovery of AirAsia flight frequencies and spending growth of passengers. The restaurant and café business also observed an increase in revenue due to the increase of footfall and change of locations.

Santan recorded a PAT of RM15.8 million for the FYE 31 December 2023 as compared to a LAT of RM5.0 million for the preceding financial year, mainly attributable to the increase in revenue from in-flight catering business in line with the recovery of AirAsia flight frequencies and spending growth of passengers but partly offset by higher operating expenses in line with the increase in demand for the in-flight catering business.

3. PROPOSED REGULARISATION PLAN

Pursuant to the Company's plan to regularise its financial condition, the Company proposes to reduce the issued share capital of the Company of up to RM6,000.0 million pursuant to Section 116 of the Act to set-off the accumulated losses of the Group. The Proposed Capital Reduction shall be undertaken upon completion of the Proposed Corporate Exercises. The exact quantum of share capital to be reduced is dependent on (1) the accumulated losses of the Group; and (2) the resultant issued share capital of the Company, after the completion of the Proposed Corporate Exercises.

For illustration, based on the latest audited consolidated statements of financial position of the Company as at 31 December 2023 and assuming that the Proposed Corporate Exercises had been effected on that date, the pro forma effects of the Proposed Corporate Exercises on the net assets ("**NA**") of the Group are as follows:

	Audited as at 31 December 2023	**(I) After the Proposed AAAGL Disposal and Proposed Distribution**	**(II) After (I) and the Proposed AAB Disposal**
	RM'million	**RM'million**	**RM'million**
Share Capital	8,711.7	(2) 5,733.3	5,733.3
Merger Deficit	(5,507.6)	(5,507.6)	-
Other Reserves	138.7	153.4	110.1
Foreign Exchange Reserve	217.1	163.2	(59.9)
Accumulated Losses	(12,322.0)	(1) (7,329.3)	(4,895.5)
Shareholders' equity/ NA	**(8,762.1)**	**(6,787.0)**	**888.0**

Notes:

(1) *The fair value of the purchase consideration was illustrated at approximately RM4.1 billion which was based on the issue price of each Consideration Share of RM1.76, being the 5-day volume weighted average market price ("**VWAP**") of AAX Shares up to and including the LPD.*

(2) *For illustration purposes, the reduction in the issued share capital of RM3.0 billion pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.76 each, being the 5-day VWAP of AAX Shares up to and including the LPD. The said reduction of share capital is dependent on the market price of AAX on the entitlement date of the Proposed Distribution.*

For further details on the pro forma effects on the Proposed Corporate Exercises and Proposed Capital Reduction on the NA of the Group, please refer to Section 7.2 of this Announcement.

The resultant accumulated losses of the Group upon completion of the Proposed Corporate Exercises may be higher or lower depending on, amongst others, the following:-

(i) the market price of AAX Shares on the completion date of the Proposed AAAGL Disposal ("**AAAGL Completion Date**"), which would determine the fair value of the Consideration Shares and in turn, the pro forma effect arising from the remeasurement of remaining interest of the Company in AAAGL pursuant to the Proposed AAAGL Disposal; and

(ii) the net liabilities of AAB Group and AAAGL Group on the completion date of the Proposed AAAGL Disposal and Proposed AAB Disposal.

Based on the net assets illustration above, in the event that the market price of AAX Shares falls below the illustrated RM1.76 on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal and hence, would result in an increase in accumulated losses of the Group. The amount of share capital to be reduced to facilitate the Proposed Distribution would also be lower in the event that the market value of the Distribution Share on the entitlement date of the Proposed Distribution is lower than the illustrated market price of RM1.76 per AAX Share.

On the contrary, should the market price of AAX Shares trade above RM1.76 on the AAAGL Completion Date, the net increase in value would contribute to an increase in the gain arising from the Proposed AAAGL Disposal and hence, a reduction in accumulated losses of the Group. The amount of share capital to be reduced to facilitate the Proposed Distribution would also be higher in the event that the market value of the Distribution Share on the entitlement date of the Proposed Distribution is higher than the illustrated market price of RM1.76 per AAX Share.

As such, the accumulated losses of the Group and the resultant share capital of the Company on the AAAGL Completion Date could be materially different from the illustration above.

For example, assuming the fair value of the Consideration Shares on the AAAGL Completion Date and the market value of the Distribution Shares on the entitlement date of the Proposed Distribution is RM1.32 per AAX Share (based on the 5-day VWAP up to and including 30 August 2024), the pro forma effects of the Group's accumulated losses and issued share capital of Capital A as at 31 December 2023 assuming the completion of the Proposed Corporate Exercises had been effected on that date, would be as follows:

	Audited As at 31 December 2023	**After Proposed Corporate Exercises**
	RM' million	**RM' million**
Share Capital	8,711.7	6,477.9
Accumulated losses of the Group	(12,322.0)	(1)(5,878.7)

Note:

(1) The decrease in accumulated losses is due to the pro forma effect arising from the remeasurement of remaining interest of the Company in AAAGL of RM3.6 billion based on fair value of AAX Shares of RM1.32 each and the transfer of AAAGL's other reserves and non-controlling interest of RM428.7 million, as well as the pro forma gain arising from the Proposed AAB Disposal of RM7.7 billion and transfer of AAB's other reserves to accumulated losses of RM241.3 million, which is offset by the reclassification of merger deficit of RM5.5 billion.

Accordingly, the exact quantum of share capital to be reduced is dependent on the accumulated losses of the Group and the resultant issued share capital of the Company after the completion of the Proposed Corporate Exercises which would only be determined after the completion of the Proposed Corporate Exercises.

The corresponding credit arising from such reduction and cancellation will be used to eliminate the Group's accumulated losses while the surplus credit that is in excess of what is required towards offsetting the Group's accumulated losses, if any, will be credited into a capital reserve account of the Company which may be used to set off any future losses of the Company and/or such other purposes allowed under applicable laws, the Listing Requirements and the Constitution of the Company but excluding the diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital. Save for the aforementioned purposes, the capital reserve account shall not be distributable without the leave granted by the High Court of Malaya.

For the avoidance of doubt, the Proposed Capital Reduction will not result in:

(a) any change in the total number of issued ordinary shares in Capital A ("**Capital A Shares**"), the RCUIDS or the warrants 2021/2028 in the Company ("**Warrants**");

(b) any payment to the shareholders of the Company; and

(c) any adjustment to the reference price of Capital A Shares, the RCUIDS or the Warrants.

Each shareholder will hold the same number of Capital A Shares representing the same percentage shareholding in the Company before and immediately after the completion of the Proposed Capital Reduction.

For illustration purposes, the effect of the Proposed Capital Reduction on the Company and the Group are as follows:

	Based on 5-day VWAP of AAX Shares up to and including LPD of RM1.76		**Based on 5-day VWAP of AAX Shares up to and including 30 August 2024 of RM1.32**	
	Company	**Group**	**Company**	**Group**
	RM'million	**RM'million**	**RM'million**	**RM'million**
Audited accumulated losses as at 31 December 2023	(1,389.2)	(12,322.0)	(1,389.2)	(12,322.0)
Accumulated losses as at 31 December 2023 assuming completion of the Proposed Corporate Exercises	(1,389.2)	(4,895.5)	(1,389.2)	(5,878.7)
Add: Credit arising from the Proposed Capital Reduction	5,000.0	5,000.0	6,000.0	6,000.0
Surplus credit in capital reserve account	**3,610.8**	**104.5**	**4,610.8**	**121.3**

The Proposed Capital Reduction will take effect from the date of lodgement of the sealed court order of the High Court of Malaya confirming the cancellation of share capital with the Registrar of Companies.

4. RATIONALE OF THE PROPOSED REGULARISATION PLAN

The Proposed Regularisation Plan serves to regularise the financial condition of the Group in order to address and uplift the PN17 status of the Company. The purpose of the Proposed Capital Reduction is to reduce the accumulated losses of the Company to the extent possible with a view to rationalise the balance sheet of the Company to reflect more accurately the value of its underlying assets and thus the financial position of the Company.

The reduced accumulated losses of the Company will also facilitate the enhancement of the credibility of the Group with its bankers, customers, suppliers, investors and other stakeholders as well as provide a stronger platform for the future growth of Capital A Group.

Post completion of the Proposed Corporate Exercises, the Group would no longer be required to consolidate the consolidated net liabilities of AAAGL and AAB, allowing Capital A to be in better financial footing. The disposal of the entire equity of AAAGL and AAB is in line with the Company's strategic direction to focus on business activities that the Company identified as viable, profitable and/or having growth potential, namely Capital A Aviation Services (comprising aviation MRO service under ADE and flight catering under Santan), logistics service under Teleport, digital business under MOVE Digital (primarily comprising online travel agency platform under AirAsia MOVE and financial technology services under BigPay) as well as brand and intellectual property company under Brand AA. Please refer to Section 5.8 of this Announcement for further details on the prospects, future plans and business strategies of Capital A Group.

Status of Capital A Group pursuant to Paragraph 2.1 of PN17

The status of Capital A Group pursuant to Paragraph 2.1 of PN17 upon completion of the Proposed Regularisation Plan is as follows:

	Criteria	Status
(a)	the shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the share capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than RM40 million;	Based on the pro forma net assets of Capital A Group as at 31 December 2023 as set out in Section 7.2 of this Announcement, upon completion of the Proposed Regularisation Plan, Capital A Group's shareholders' equity on a consolidated basis shall be approximately RM888.0 million, representing 121.1% of Capital A Group's share capital of RM733.3 million. Hence, Capital A would no longer trigger this criterion upon the completion of the Proposed Regularisation Plan.
(b)	receivers or managers, or judicial managers have been appointed over the asset of the listed issuer, its subsidiary or associated company which asset accounts for at least 50% of the total assets employed of the listed issuer on a consolidated basis;	Not applicable as no such receivers or managers have been appointed over the assets of the Group or associated company as at the LPD.
(c)	a winding up of a listed issuer's subsidiary or associated company which accounts for at least 50% of the total assets employed of the listed issuer on a consolidated basis;	Not applicable as there is no such winding up proceedings being instituted against the Group or associated company as at the LPD.
(d)	the auditors have expressed an adverse or disclaimer opinion in the listed issuer's latest audited financial statements;	Not applicable as the auditors of the Company have not expressed any adverse or disclaimer opinion in the Company's latest audited financial statements for the FYE 31 December 2023.

	Criteria	Status
(e)	the auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the listed issuer; or	The auditors have not highlighted any material uncertainty related to going concern of the Company and had issued an unqualified opinion in Capital A's latest audited financial statements for the FYE 31 December 2023. Based on the pro forma net assets of Capital A Group as at 31 December 2023 as set out in Section 7.2 of this Announcement, upon completion of the Proposed Regularisation Plan, Capital A Group's shareholders' equity on a consolidated basis shall be approximately RM888.0 million, representing 121.1% of Capital A Group's share capital of RM733.3 million. Accordingly, the Company would no longer trigger this criterion upon the completion of the Proposed Regularisation Plan.
(f)	a default in payment by a listed issuer, its major subsidiary or major associated company, as the case may be, as announced by a listed issuer pursuant to paragraph 9.19A of the Listing Requirements and the listed issuer is unable to provide a solvency declaration to the Exchange.	Not applicable as there is no default in payment by the Company, its major subsidiaries or major associated companies pursuant to paragraph 9.19A of the Listing Requirements as at the LPD.

5. INDUSTRY OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 5.9% in the second quarter ("**Q2**") of 2024, driven by stronger private expenditure and positive turnaround in exports.

On the demand side, higher domestic demand continued to support the growth of the economy for the Q2 2024. Private consumption increased by 6.0% supported by positive labour market conditions and larger policy support. Private investment increased by 12.0% robust capacity expansion by businesses, especially in the manufacturing and services sectors. Public consumption increased by 3.6% supported by government spending on emolument and supplies and services. Public investment increased by 9.1% from continued expansion in fixed assets spending by the government and public corporations. On the external front, net exports increased by 3.4% amid higher external demand and the global tech upcycle.

On the supply side, the services, construction, mining and agriculture sectors remained supportive of growth. The services sector grew by 5.9% underpinned by broad-based improvement across consumer- and business-related services. The construction sector grew by 17.3% mainly attributable to higher activities particularly in the civil engineering and special trade subsectors. The mining sector grew by 2.7% mainly due to lower growth in oil and gas subsector following production disruption in May 2024. The agriculture sector grew by 7.2% mainly due to stronger production in oil palm and fisheries subsectors. Meanwhile, the manufacturing sector recorded a growth of 4.7% given the higher growth across export- and domestic-oriented industries.

Growth of the Malaysian economy in the second half of 2024 is expected to be driven mainly by firm expansions in investment activity and resilient household spending, with larger support from exports recovery. Investment activities will be supported by continued implementation of multi-year projects in both the private and public sectors and augmented by the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of approved investments. Private consumption will be supported by sustained growth in income along with larger policy measures. Higher spillover from global tech upcycle will lift exports while tourist arrivals and spending are expected to improve further.

The growth outlook faces downside risks from weaker-than-expected external demand, further escalation of geopolitical conflicts and lower-than-expected commodity production. Nevertheless, greater spillover from the tech upcycle, more robust tourism activities, and faster implementation of new and existing investment projects provide upside to Malaysia's economic outlook.

(Source: Bank Negara Malaysia Quarterly Bulletin Second Quarter 2024)

5.2 Overview and outlook of the aviation MRO Segment

The market size of the aviation MRO service industry in Southeast Asia increased from USD7.2 billion (RM31.0 billion) in 2017 to USD7.8 billion (RM32.3 billion) in 2019 at a compounded annual growth rate ("**CAGR**") of 4.3%. Subsequently, in the year 2020, the airline industry was negatively impacted by the outbreak of the coronavirus disease 2019 ("**COVID-19**") pandemic which resulted in the implementation of border closures and nationwide lockdowns which resulted in a fall in the demand for aviation MRO services globally. As such, the market size decreased by approximately 34.6% to USD5.1 billion (RM21.4 billion) in 2020, before increasing by approximately 3.3% to USD5.3 billion (RM22.0 billion) in 2021. In 2022, the aviation MRO services market size improved further by approximately 20.8% to USD6.4 billion (RM28.2 billion). The aviation MRO services market size grew to USD7.0 billion (RM32.0 billion) in 2023.

Moving forward, the prospects of the aviation MRO service industry appear to be positive in light of the recovery of the airline industry from the COVID-19 pandemic. Providence Strategic Partners Sdn Bhd ("**Providence**") forecasts the aviation MRO service market to grow by a CAGR of 5.0%, from an estimated USD7.3 billion (RM33.3 billion) in 2024 to USD8.1 billion (RM37.0 billion) in 2026. This growth of the aviation MRO service industry will be driven by the emergence of new airlines, rise in airline passenger volume, rapid advancement of technology, as well as growth of airline fleets.

The emergence of new airlines in Southeast Asia would increase the total number of airplanes in service, thus leading to increased demand for aircraft MRO services. Several new airlines in Southeast Asia have begun operations in recent years, such as Super Air Jet in Indonesia as well as Bamboo Airways, Vietravel Airlines and Sun Air in Vietnam.

As the airline industry is the main end-user industry of the aircraft MRO service industry, a rise in airline passenger volume will result in the growth of demand for aviation MRO services. During the COVID-19 pandemic, countries across the world, including the Southeast Asian region, had implemented lockdowns and bans on travel as a method to curb the rising COVID-19 cases. This restricted people from traveling for business or leisure, which subsequently led to a substantial drop in airline passenger volume. However, as the world is normalising to pre-pandemic levels, the demand for airline services is expected to increase considerably.

The rapid advancement of technology will result in more efficient delivery of aviation MRO services, which in turn will result in the growth of the aviation MRO service industry. The utilisation of technology within the aviation MRO service industry is expected to lead to more precise, comprehensive, time and cost efficient as well as safe, maintenance, repairs and overhauls on aircraft.

The growth in the number of aircraft among Southeast Asian airline fleets will result in an increased demand for MRO services. In the airline industry, it is common for large airline industry players to lease or purchase new aircraft either to expand their fleet size or to replace old aircraft with new and improved models. As such, the expansion of fleets would lead to an increased demand for MRO services as the pool of aircraft in service within the region increases.

*(Source: Independent market research report prepared by Providence ("**IMR Report**"))*

5.3 Overview and outlook of the Travel App Segment

The mobile app industry size, as measured by revenue, increased from USD1.8 billion (RM7.7 billion) in 2017 to USD9.6 billion (RM43.8 billion) in 2023 at a CAGR of 32.0%. More specifically, the travel and hospitality mobile app segment grew from USD110.7 million (RM476.1 million) in 2017 to USD1.1 billion (RM5.0 billion) in 2023, registering a CAGR of 45.9%. Moving forward, the mobile app industry size is forecasted to grow by a CAGR of 24.7 %, from USD12.0 billion (RM54.8 billion) million in 2024 to USD18.6 billion (RM84.9 billion) in 2026. This growth of the mobile app industry is expected to be driven by the proliferation of smartphones and mobile devices, increasing disposable income as well as the rapid pace of technological evolution in mobile apps.

The proliferation of smartphones and mobile devices as well as increased broadband penetration, due to the affordability of technology and government incentives is expected to drive the mobile app industry in Southeast Asia.

In recent years, smartphones and mobile devices have become a necessity for urban dwellers to conduct day-to-day activities including work, socialising, entertainment and even shopping as well as conduct transactions and make payments. Due to rapid technological advancements, smartphones and mobile devices are constantly being replaced with newer models boasting faster processing speed, improved features and larger storage capacities. Consumers also have a wider range of brands and models to select from at various price points. In Southeast Asia, the number of mobile cellular subscriptions grew from approximately 919.8 million in 2017 to approximately 936.0 million in 2021, registering a CAGR of 0.4%. This indicates the growing number of smartphone users in the region.

Southeast Asia is a developing region that is undergoing rapid urbanisation. The growth in broadband penetration across Southeast Asia will lead to an increased adoption rate of the internet among the population.

The total number of mobile broadband subscriptions across region has been on an uptrend in recent years, rising from an estimated 531.6 million subscriptions in 2017 to 721.4 million subscriptions in 2023, registering a CAGR of 5.2%. The rise in adoption of mobile broadband subscriptions among the population signifies a growth of access to internet, including smartphones and mobile devices. Consequently, as more people have access to the internet, there would be a larger potential market for mobile apps, which is expected to result in an increased utilisation of mobile apps.

(Source: IMR Report by Providence)

5.4 Overview and outlook of the Logistics segment

The air freight market size in Southeast Asia grew at a CAGR of 8.2% between 2017 and 2023, from USD5.6 billion (RM24.1 billion) to an estimated USD9.0 billion (RM41.1 billion). Moving forward, the air freight market size is forecast to grow by a CAGR of 10.9%, from USD10.0 billion (RM45.7 billion) in 2024 to USD12.3 billion (RM56.2 billion) in 2026.

The courier, express and parcel market size in Southeast Asia grew at a CAGR of 8.9% between 2017 and 2023, from USD5.8 billion (RM24.9 billion) to USD9.7 billion (RM44.3 billion) in 2023. The market can be segmented into small parcels (i.e. weighing between 0 and 35 kilograms) and large parcels (i.e. weighing over 35 kilograms). Teleport Group is focused on the small parcel market, which has a much larger market share, measuring 72.1% in 2023 at USD7.0 billion (RM32.0 billion).

Moving forward, the courier, express and parcel market size in Southeast Asia is forecast to grow by a CAGR of 10.2 %, from USD10.7 billion (RM48.8 billion) in 2024 to USD13.0 billion (RM59.3 billion) in 2026. This growth of the courier, express and parcel market size in Southeast Asia is expected to be driven by the growth of the e-commerce industry, Government initiatives, improved infrastructure and growth in demand for express delivery.

Rising disposable income, growing number of internet users as well as the proliferation of mobile devices is expected to drive the growth of e-commerce in Southeast Asia, which will result in the growth of demand for small parcel delivery services and in turn, will drive the growth of the logistics industry.

The average gross domestic product ("**GDP**") per capita in Southeast Asia grew from USD11,058 (RM47,558) in 2017 to USD11,919 (RM54,414) in 2023, rising at a CAGR of 1.3%. This signifies an increasing disposable income amongst the population in Southeast Asia, which will lead to higher spending. This, coupled with increasingly busy lifestyles has led the population to turn to shopping via e-commerce due to its convenience and accessibility.

In addition, the number of internet users across the region has been showing strong growth. It was noted that Southeast Asia's internet adoption, as represented by the percentage of individuals using the internet, increased from 50.1% in 2017 to 70.1% in 2021, registering a CAGR of 8.8%. Further, with the availability of e-commerce marketplaces in Southeast Asia (such as Shopee, Lazada, Zalora, AliExpress, and Tokopedia), users have more options and access to a wider range of products and are not restricted to geographical location.

Furthermore, the proliferation of mobile devices such as smartphones and tablets will also drive e-commerce. In Southeast Asia, mobile internet adoption has been growing over the years, from 919.8 million mobile cellular subscriptions in 2017 to 936.0 million mobile cellular subscriptions in 2021, growing at a CAGR of 0.4%. This indicates that the population is generally comfortable with using mobile devices to make e-commerce purchases.

As a result, the increase in e-commerce sales will lead to growing demand for small parcel delivery services, which will contribute to the growth of the logistics industry.

Express delivery differentiates itself through the speed it takes for a parcel to reach its destination. It may involve the movement of goods through different modes of transportation including air freight and land transport, to arrive at the customers' doorstep as soon as possible. The express delivery market in Southeast Asia has grown from USD3.7 billion (RM15.9 billion) in 2017 to USD5.5 billion (RM24.2 billion) in 2022, registering a CAGR of 8.3%.

Currently, changing consumer behaviour and hectic lifestyles have led to a shift in preference for requiring same-day delivery services or within a short span of time. This has increased the demand for express delivery services to fulfil consumer demands and business needs across various industries including, but not limited to retail products, food and beverages, documents, pharmaceuticals and groceries. Additionally, due to consumer preference for fast delivery of goods, intensifying competition among logistics companies have made industry players that are able to offer express delivery services a key advantage. Logistics companies which are able to provide rapid express delivery services to consumers within the day of placing an order have an edge, as consumers and businesses may opt for the fastest delivery option.

As such, the growth in demand for express delivery due to the changes in consumer behaviour and modern-day lifestyle will result in the growth of the logistics industry.

(Source: IMR Report by Providence)

5.5 Overview and outlook of the Digital Payment Platform Segment

The financial technology ("**fintech**") market in Southeast Asia, as measured by revenue, grew from USD1.9 billion (RM8.2 billion) in 2017 to USD11.0 billion (RM50.2 billion) in 2023, registering a CAGR of 34.4%. Between 2017 and 2023, the fintech market in Malaysia increased from USD191.2 million (RM822.3 million) to USD1.3 billion (RM5.9 billion) at a CAGR of 36.8%, whereas the fintech market in Singapore grew from USD417.9 million (RM1.8 billion) to USD4.0 billion (RM18.3 billion) at a CAGR of 45.7%. Meanwhile the fintech market in Thailand increased from USD279.2 million (RM1.2 billion) to USD1.5 billion (RM6.8 billion) at a CAGR of 31.8%, while the fintech market in the Philippines grew from USD155.6 million (RM669.2 million) to USD1.0 billion (RM4.6 billion), registering a CAGR of 36.8%. In Indonesia, the fintech market increased from USD491.0 million (RM2.1 billion) in 2017 to USD1.6 billion (RM7.3 billion) in 2023, showing a CAGR of 21.1%.

Moving forward, the fintech market in Southeast Asia is forecast to grow by a CAGR of 19.2%, from an estimated USD13.1 billion (RM59.8 billion) in 2024 to USD18.6 billion (RM84.9 billion) in 2026. This growth of the fintech market in Southeast Asia is expected to be driven by economic growth, high underbanked and unbanked population, proliferation of smartphones and mobile devices, advantages of using fintech, evolving trends and technologies as well as Government initiatives and policies to drive the usage of digital payments.

The fintech markets in Southeast Asia can also be segmented by application. For payment and fund transfer, the revenue increased from USD768.1 million (RM3.3 billion) in 2017 to USD4.3 billion (RM19.6 billion) in 2023 at a CAGR of 33.2%, while revenue for loans grew from USD487.5 million (RM2.1 billion) to USD2.4 billion (RM11.0 billion) at a CAGR of 30.2%. Meanwhile, revenue for insurance and personal finance increased from USD343.9 million (RM1.5 billion) to USD1.3 billion (RM5.9 billion) at a CAGR of 25.5%. Wealth management registered the highest growth at a CAGR of 52.1%, from USD154.8 million (RM665.8 million) in 2017 to USD1.9 billion (RM8.7 billion) in 2023. Finally, the revenue for other applications grew from USD119.8 million (RM515.2 million) to USD1.1 billion (RM5.0 billion) at a CAGR of 45.0%.

Southeast Asia is a developing region with positive economic growth. As the region develops further, the fintech market will likely grow in tandem, as there would be a growing demand for digital payment services to pay for daily necessities such as food, clothing and groceries. This will result in the growth of the fintech market across Southeast Asia.

The total GDP of the Southeast Asian region has been rising over the period 2017 to 2023. The total GDP of the region rose from approximately USD2.8 trillion (RM12.0 trillion) in 2017 to USD3.4 trillion (RM15.5 trillion) in 2023, registering a CAGR of 3.1% over the period. Meanwhile, the average GDP per capita in the Southeast Asian region has also been growing from approximately USD11,058 (RM47,558) in 2017 to USD11,919 (RM54,414) in 2023, at a CAGR of 1.3%.

The abovementioned statistics depicts a rise in disposable income amongst the population in Southeast Asia. The growth in disposable income will lead to a rise in a more affluent population which is expected to spend money more frequently on larger, more expensive purchases such as products and services. Therefore, as the countries within Southeast Asia develop further and their economy grows, it is expected that the population will spend more on purchases as well as more frequently, which in turn will create demand for digital payment services. This is primarily due to the convenience, safety and accessibility offered by digital payment services. Consumers who make frequent payments, or large payments will opt to utilise digital payment methods as compared to traditional methods of payment, such as cash.

Therefore, as Southeast Asia's GDP continues to grow and the region develops further, the demand for digital payment services is expected to grow in tandem. Accordingly, this will result in an increase in number of users of digital payment services, which in turn will drive the fintech market in Southeast Asia.

The proliferation of smartphones and mobile devices as well as increased broadband penetration, due to the affordability of technology and government incentives is expected to drive the fintech market in Southeast Asia.

There has been a rise in new trends and technologies in fintech, including the use of cryptocurrency and digital wallets. Following the pandemic, there was a huge growth in the cryptocurrency industry with the rise of Bitcoin, Ethereum, XRP, Dogecoin and Cardano. Currently, there are over 600 cryptocurrency and blockchain companies which are headquartered in the Southeast Asian region. Cryptocurrency is a virtual currency which can be utilised to purchase goods and services. Cryptocurrency has no physical coin or bill, thus all transactions are conducted online. By utilising cryptocurrency, large transactions and/or cross-border transactions which would typically take days can now be completed instantaneously online. Therefore, by utilising cryptocurrency, businesses can also expand their customer base internationally, as cross-border transactions can easily be conducted. Additionally, businesses and merchants have also begun accepting cryptocurrency as a form of payment for goods and services. Thus, the fintech market is expected to grow as large corporations begin to collaborate with financial institutions and regulatory bodies to utilise cryptocurrency to conduct rapid business transactions either domestically or internationally, which will provide them a competitive edge over other businesses.

Further, the fintech market is also expected to be driven by the rising popularity of e-wallets. In recent years, the popularity of e-wallets has accelerated substantially, due to the COVID-19 pandemic and the rise of super apps. E-wallets are safe and convenient for consumers as they offer contactless payments without the need for physical cash, thus reducing physical contact. As such, contactless payments became the primary form of payment during the pandemic as it minimizes the risk of infection from close contact interactions. Further, e-wallets can also be utilised for conducting various other activities including paying for utilities, purchasing tickets as well as collecting points and rewards which can typically be done via super apps.

Therefore, the fintech market is expected to grow as a result of these evolving trends and technologies, as more consumers and businesses adopt and implement such methods of payment.

(Source: IMR Report by Providence)

5.6 Overview and outlook of the In-flight Catering Segment

The airline catering market size in Southeast Asia grew from USD279.6 million (RM1.2 billion) in 2017 to USD411.2 million (RM1.9 billion) in 2023, registering a CAGR of 6.6%. Between 2017 and 2023, airline catering for low-cost carriers increased from USD106.2 million (RM456.7 million) to USD165.0 million (RM753.3 million) at a CAGR of 7.6%. In 2023, airline catering for low-cost carriers made up 40.1% of the total airline catering market in Southeast Asia.

Moving forward, the airline catering market size is forecasted to reach USD494.0 million (RM2.3 billion) in 2026, growing from an estimated USD439.3 million (RM2.0 billion) in 2023 at a CAGR of 6.0%. This growth of the airline catering market size is expected to be driven by the growth of the airline industry.

The airline catering industry is mainly driven by the growth of the airline industry, being the main end-user industry which it serves. In particular, growing airline passenger volumes are expected to lead to increased demand for airline catering as passengers are likely to consume food while they are flying. There are a growing number of new airlines which are emerging in the region signifying that there is potential for the growth of the airline catering industry.

The ready meals market in Malaysia grew from RM257.7 million in 2017 to RM307.4 million in 2023, registering a CAGR of 3.0%. During this period, frozen ready meals increased from RM40.3 million to RM75.6 million at a CAGR of 11.1%. Due to the longer shelf life of ready meals, they gained popularity during the COVID-19 pandemic as people were stocking up on food in their homes. Moving forward, the ready meals market size is forecast to reach RM342.5 million in 2026, growing from an estimated RM319.1 million in 2024 at a CAGR of 3.6%.

The ready meals market continues to experience innovation both in terms of product development and processing technology to meet consumer demand for tastier and healthier options. New processing technologies and techniques are used to extend the shelf life of these food products without the use of preservatives. For instance, high pressure processing is a method of preserving food without preservatives or additives. Instead, the technology uses high pressure transmitted through cold water and applied to the food product, inactivating harmful pathogens and other microorganisms which cause food to spoil.

In addition, there is growing demand for healthier meals as consumers become more health-conscious and demand healthier alternatives. These include low sodium, organic, vegetarian or vegan options. The ready meals market will continue to experience product innovations due to evolving consumer demand, which is expected to contribute to the growth of the industry.

(Source: IMR Report by Providence)

5.7 Overview and outlook of the aviation industry

Industry-wide air passenger traffic, measured in revenue passenger-kilometres ("**RPK**"), grew 8.6% year-on-year in August 2024, versus a 6.5% year-on-year growth in available seat-kilometres ("**ASK**"). International and domestic traffic saw 10.6% and 5.6% growth over the same period, respectively. Passenger load factor recorded a new record high of 86.2%, indicating strong demand for air travel.

Air Passenger Market in Detail

	World share (% of industry RPKs in 2023)	RPK (% year-on-year)	ASK (% year-on-year)	Passenger load factor (%)
Total market	**100.0**	**8.6**	**6.5**	**86.2**
Africa	2.1	9.6	6.7	77.9
Asia Pacific	31.7	13.4	8.7	86.0
Europe	27.1	7.8	7.3	87.9
Latin America	5.5	6.5	8.1	84.0
Middle East	9.4	5.0	5.9	82.3
North America	24.2	4.8	2.4	87.1

(Source: Air Passenger Market Analysis August 2024 and press release dated 3 October 2024, International Air Transport Association)

Over the next 20 years, it is expected that world passengers will increase by 3.8% per year on average, resulting in over 4 billion additional passenger journeys in 2043 compared to 2023. European and North American markets will see a slower rise in demand, 2.3% and 2.7% per year respectively. Asia Pacific is anticipated to record the fastest rise in passenger numbers and to contribute to more than half of the net increase in global passenger numbers by 2043.

The region is also slated to experience solid economic growth and improving living standards, which will drive demand for air transport well beyond the global average. GDP in the Asia Pacific region will grow by 65% over the coming 20 years, and trips per capita should almost triple. As a result, nearly half of global passenger traffic will originate or depart from the region in 2043, as opposed to 34.1% in 2023. The larger share of the region in total global traffic comes at the expense of the US, Europe, and Latin America which shares will fall. The Middle East and Africa are likely to see stable shares of the global total.

The baseline forecast comes with a large range of uncertainty that considers the upside and downside factors which could affect the industry's trajectory and air passenger demand. Favourable macroeconomic conditions, such as the normalisation of supply chains and lower inflation rates, could potentially lead to an increase in demand. However, geopolitical tensions and conflicts, particularly the ongoing wars in Ukraine and the Middle East, pose substantial risks to the global economy. In addition, new climate policies could dampen the growth in demand for air travel over the coming decades. Overall, the balance of risks remains tilted to the downside, in the near-term but also in the longer term.

(Source: Global Outlook for Air Transport June 2024, International Air Transport Association)

In the first half of 2024, total air passenger traffic reached 46.6 million, marking a 15.3% increase year-on-year. International passenger traffic was particularly strong, standing at 24.0 million, up by 35.9%. However, domestic passenger traffic decreased marginally by 0.7% year-on-year to 22.6 million passengers. International traffic comprised 51.4% of the total, with domestic traffic accounting for the remaining 48.6%.

Based on the latest passenger traffic performance and available seat capacity data, MAVCOM narrows the range of its 2024 air passenger traffic forecast to between 95.4 million and 97.6 million passengers (previously 93.9 million to 107.1 million) due to lower-than-expected expansion in seat capacity. This forecast now translates to a 12.2% to 14.9% year-on-year growth and a recovery of up to 89% of 2019 levels in 2024. As of August 2024, Malaysia's passenger traffic has reached 64.1 million.

MAVCOM's Air Connectivity Index shows that Kuala Lumpur International Airport ranked third amongst major airports in ASEAN in the first half of 2024 with a connectivity score of 64.7, improving from the fourth place with a score of 47.5 in 2022. At country level, Malaysia maintains its performance from 2022 and 2023, ranking fifth in ASEAN with a connectivity score of 84.0 in the first half of 2024. All ASEAN countries saw improvement in 2023 compared to 2022, especially Thailand with an increase of 37.1% year-on-year.

In the second quarter of 2024, it was reported that AAB continued to have the largest local airline market share of 37.7% with AAX at 5.0%. Malaysia Airlines, Batik Air and Firefly reported market shares of 18.3%, 7.4% and 2.8%, respectively.

(Source: Waypoint Report: Malaysian Aviation Industry Outlook (June 2024))

Kuala Lumpur airport ("**KUL**") is the most connected airport in Asia Pacific. KUL does not have the highest volume of connections by comparison to some of the biggest hubs in the index, but it does have a high ratio of connections to destinations served, which is what pushes it up the rankings to 2nd this year, from 12th place in 2019 and 4th place in 2023. AirAsia is the dominant carrier at the airport, operating 35% of KUL's flights in the twelve months to August 2024.

In the low-cost carrier Megahubs category, KUL ranks 1st, offering 14,583 possible low-cost connections across 137 destinations, while Manila ("**MNL**") moves up into 2nd place this year overtaking Incheon ("**ICN**"), with a high ratio of connectivity to 97 destinations. The main airports in Bangkok, Suvarnabhumi Airport ("**BKK**") and Don Muang Airport ("**DMK**") rank 10th and 15th respectively. Thai AirAsia is the dominant carrier at DMK airport, operating 55% of DMK's flights in the twelve months to August 2024.

(Source: Megahubs 2024, OAG)

For the month of October 2024, AirAsia was the second largest carrier amongst 10 airlines in the Southeast Asian region by seat volume, with 2.5 million seats, while Thai AirAsia was the seventh largest carrier with 1.8 million seats. The competitors in the Southeast Asian region includes, but is not limited to, Lion Air, Cebu Pacific Air and Vietnam Airlines, with 3.8 million, 2.2 million and 2.0 million seats respectively.

(Source: Southeast Asia Aviation Market Data, OAG)

The Thailand airline industry should see conditions return to their pre-COVID state by 2025, supported by an improving outlook for the global economy that will boost consumer spending power and demand for tourism services. On the domestic front, the Thai economy will benefit from the ongoing rebound in the tourism sector, while the government will help to maintain growth trends by rolling out stimulus measures targeting high potential consumer groups including long-term residents, the elderly, those traveling in support of their personal wellness, and individuals arriving for health tourism. Foreign arrivals are thus expected to increase, and to meet this increase in flights and passenger numbers, the government plans to upgrade airports and supporting infrastructure. At the same time, airlines will expand fleet sizes, lay on extra flights, and open up new routes as players look to maintain income and market share over the long term.

(Source: The management of the Company)

Indonesia's aviation industry has several positive developments as it continues to recover post-pandemic:

- Strong domestic recovery: Domestic air travel is expected to reach pre-pandemic figures by 2024. This resurgence is driven by the increased mobility of the population and growing demand for domestic tourism;

- Government support: The Indonesian government has been actively supporting the aviation sector through various financial stimuli, including subsidies for airports and airlines, and assistance in the form of Public Service Obligations (PSO). These measures aim to reduce the financial burden on the industry and help operators maintain their services;

- Infrastructure enhancements: There have been improvements in airport infrastructure and air navigation systems, including extended operating hours for airports and optimizing the use of aircraft on busy routes. These changes are helping airlines meet rising passenger demand more efficiently; and

- Growth in international travel: While international travel is still recovering, it is projected to steadily improve, with a full recovery expected by 2025. This growth is bolstered by Indonesia's strategic location and its popularity as a tourism destination.

Overall, these factors highlight a positive outlook for Indonesia's aviation industry, with strong government backing and growing domestic demand laying the groundwork for a full recovery.

(Source: The management of the Company)

In the first half of 2024, the Philippines' air travel industry demonstrated strong recovery. Domestic air travel grew 8% year-on-year to 15.8 million passengers. Cebu Pacific ("**CEB**") and its subsidiary CebGo still lead the domestic market with combined passengers of 8.14 million. Philippine Airlines ("**PAL**") and PAL Express flew a combined 4.68 million passengers while Philippines AirAsia Inc. carried 2.6 million passengers in the first half of 2024. International air travel grew 53% year-on-year to 13.75 million passengers from 8.96 million passengers. PAL remained the leader for international operations, flying a total of 2.94 million passengers during the first half of 2024, while CEB carried 2.74 million passengers and AirAsia, 698,949 passengers.

(Source: The Philippines' Civil Aeronautics Board)

Cambodia's economic recovery is largely underpinned by a revival of services and goods exports. Air transport activity in Cambodia is also gradually recovering as compared to 2019 before the outbreak of Covid-19 pandemic. Cambodia's newest and biggest airport commenced commercial operations in the province of Siem Reap in the country's northwest in October 2023. The Siem Reap-Angkor International Airport is a milestone for the country's aviation industry as it is the main gateway to one of the country's most popular tourist sites, the UNESCO-listed Angkor Archaeological Complex. Tourist arrivals, especially from ASEAN countries will likely increase, supported by the region's positive economic prospects.

(Source: The management of the Company)

5.8 Prospects, future plans and business strategies of Capital A Group

After the completion of the Proposed Corporate Exercises, the Group will strategically diversify from being one of the major low-cost carriers in Southeast Asia into a diversified ecosystem of aviation and digital services. This shift is designed to capture opportunities beyond traditional airline operations, directly responding to evolving consumer demands and technological advancements. After the completion of the Proposed Corporate Exercises, the Group's core verticals shall comprise Capital A Aviation Services (which primarily includes ADE and Santan), Teleport, MOVE Digital (which includes AirAsia MOVE and BigPay), as well as AirAsia Brand. Further details of the future direction, outlook and prospects of the Group's core verticals are set out as follows:

(i) Capital A Aviation Services

ADE – ADE is one of the main income contributors to the Group with an audited PAT of RM115.3 million for the FYE 31 December 2023 and is poised to expand its capacity to cater for increased aviation MRO activities and extend its presence regionally. ADE has expanded its line maintenance presence regionally through expanding from Malaysia into Cambodia, the Philippines and Indonesia. As part of ADE's expansion, ADE plans to offer line maintenance services, engineering support services and warehouse services in Thailand. In addition, ADE is undertaking significant expansion whereby it has recently set up 6 new hangar lines in KLIA, Malaysia and will be completing 8 additional hangar lines by the end of 2024, which will bring ADE's total base maintenance lines to 16. Subsequently, ADE intends to increase further the number of hangar lines under its operation to 20 by the end of 2026, in addition to developing new workshops, all of which will be used to service AirAsia aircraft and other third-party airlines.

The planned expansion in the number of hangar lines is in anticipation of an increase in demand for aviation MRO services in Southeast Asia in view of increased tourism activities and growth in the aviation industry as discussed in Section 5.7 of this Announcement. The main key drivers to ADE's growth would include increased AirAsia flight frequencies and expansion of flight routes, reactivation of AirAsia's hibernated aircraft from storage as well as increased line and base maintenance bookings secured from other airlines and a growth in passenger air travels and expansion of flight routes by other airlines.

Santan – Santan's core business as an inflight catering service provider to AirAsia has demonstrated encouraging growth, in light of the recovery of tourism activities post the COVID-19 pandemic. Santan recorded an audited PAT of RM15.8 million for the FYE 31 December 2023. At present, Santan's key revenue driver would mainly be the increase in AirAsia's flight frequencies and expansion in flight routes. The Company expects that Santan's core business of inflight catering service will continue to grow with the expected growth in the aviation and tourism industry. In addition, Santan will grow its revenues as it intends to charge TAA for its airline catering service beginning January 2025.

In addition, Santan is applying for an inflight license to serve third party airlines starting in Malaysia. While waiting for the license approval, Santan will be using its expertise to offer inflight services to bus and train operators.

In the longer term, Santan also intends to expand its customer base for frozen and ready-to-eat food by targeting hotels and food and beverage service providers. In the long run, Santan aims to expand its customer base to achieve a volume advantage that would in turn drive down cost and improve operational efficiencies.

(ii) MOVE Digital

AirAsia MOVE – AirAsia MOVE is a major income contributor to the Group with unaudited PAT of AirAsia MOVE Group for the financial year ended 31 December 2023 of approximately RM58.1 million. AirAsia MOVE, through its travel app, is able to leverage on the AirAsia Brand and data, allowing AirAsia MOVE Group to achieve relatively lower acquisitions costs to acquire a large customer base. AirAsia MOVE Group expects that AirAsia MOVE's unique transacting users in Southeast Asia, particularly in Malaysia, Thailand, Philippines and Indonesia will grow in line with the growing airline industry in Southeast Asia. The growth in the aviation industry indicates an increased number of travellers, which would in turn lead to a larger target market of customers to utilise AirAsia MOVE's services.

The proliferation of smartphones and mobile devices is also expected to drive usage of the AirAsia MOVE platform.

With over 15 million MAU recorded for the year 2023, AirAsia MOVE will intensify its marketing and personalisation efforts to promote the flight and hotel segments while prioritising strategic technological enhancements to elevate the overall customer experience and increase conversions. AirAsia MOVE is also actively securing preferential fare classes and exclusive airline and hotel partnerships to strengthen its competitive edge and drive market share growth. AirAsia MOVE aims to deliver 60% of total AirAsia seats sales through the platform by the fourth quarter of 2025 from 43% of the total AirAsia seats sales in December 2023, while cross-selling the users with other products on the platform.

The AirAsia rewards program will transition from a retail-based model towards a community-based model. Through chats and gamification, like-minded members can connect and share experience, while gaining access to earn and burn points on exclusive benefits, utility and special events within the community. Additionally, the points earned will function as universal digital currency, convertible within and outside the AirAsia Ecosystem. By shifting from a one-way exchange system to a two-way exchange system, AirAsia Rewards will empower users to convert between AirAsia points and partner loyalty points. This enhanced flexibility will drive user engagement, loyalty and velocity of points usage as it broadens redemption opportunities, allowing users to utilise their points on external platforms beyond AirAsia MOVE. AirAsia Rewards also aims to onboard more partners to its loyalty program, working towards an open-loop redemption model to increase stickiness of both its users and partners.

BigPay – BigPay recorded LAT to the Group of USD23.3 million (equivalent to approximately RM106.9 million*) for the FYE 31 December 2023. BigPay plans to narrow the losses in the short to medium term by undertaking the following:-

- BigPay recognised a potential to target AirAsia MOVE's customers who have not been utilising BigPay's digital financial services, due to previously having operated independently. Accordingly, BigPay Group has begun collaborating with AirAsia MOVE Group in October 2023 to, amongst others, embed BigPay's financial services features into the AirAsia MOVE travel app and encourage a higher proportion of payments to be done via BigPay.

- BigPay works closely with AirAsia MOVE for user acquisition by making payment on BigPay a key feature on the app.

- On the revenue side, BigPay is focused on building (and nudging users towards existing) features with positive unit economics, which will subsequently increase its average revenue per user. By encouraging users to spend within the existing ecosystem through AirAsia MOVE and BigPay, users will be rewarded with points that can be redeemed for subsequent purchases.

Note: Based on Bank Negara Malaysia's ("BNM**") exchange rate of USD1 : RM4.59, being the middle rate published on BNM's website as at 31 December 2023.*

(iii) Teleport

Teleport plans to expand its business by leveraging on AirAsia's extensive air network, the capacity provided by its own three (3) recently inducted freighters as well as numerous strategic partnerships with other airlines. Teleport aims to become a major integrated e-commerce logistics solution provider and partner.

Rising disposable income, growing number of internet users as well as the proliferation of mobile devices is expected to drive the growth of e-commerce in Southeast Asia, which will result in the growth of demand for small parcel delivery services and in turn, will drive the growth of the logistics industry.

Teleport has set a target to deliver 2 million parcels daily by the end of 2025, from 170,000 daily in the first half of 2024. To serve this volume, Teleport will expand its capacity, not just through AirAsia belly space, but also through additional third party airline capacity via Air Partners. Teleport Group's key advantage is AirAsia's extensive air network and the ability to combine it with complementary freighter and Air Partners capacity to extend network reach and service offering.

Whilst Teleport Group reported an audited LAT of USD0.7 million (equivalent to approximately RM3.1 million*) for the FYE 31 December 2023, Teleport Group's LAT has reduced significantly from USD15.1 million (equivalent to approximately RM66.2 million) for the FYE 31 December 2022 due to better performance in its freight and delivery services as detailed out in Section 2.4 of this Announcement.

**Note: Based on BNM's exchange rate of USD1.00 : RM4.59, being the middle rate published on BNM's website as at 31 December 2023.*

(iv) Brand AA

As the AirAsia brand owner, Brand AA is a major income contributor to the Group with audited PAT of RM12.2 million for the FYE 31 December 2023. The revenue and profitability of Brand AA is expected to increase significantly given that Brand AA had only began recognising royalty fee from 1 July 2023 pursuant to the completion of the IP Assignment Agreement. The royalty income is based on a royalty rate of 1% on all revenue (including fares and ancillary income) of the AOCs and TAAX in relation to the AOCs' aviation business operations, whereas AAX pays a royalty fee of 0.5% on its revenue. Accordingly, the key revenue driver for Brand AA is the increase in passenger revenue and ancillary income of the AOCs, AAX and TAAX through their increase in flight frequencies and expansion of routes.

In addition to the above, Brand AA plans to leverage on the intellectual properties built within the Group to create new co-branding and business opportunities. Brand AA intends to strategically expand beyond the AirAsia Brand into the general retail landscape through brand partnerships, acquisition and merchandising, which are expected to fuel its continued growth.

ADE, AirAsia MOVE, Brand AA and Santan are poised to be the primary drivers of revenue and profit for the Group. While ADE ensures a stable income base, AirAsia MOVE, Teleport, Santan and Brand AA provide opportunities for high-growth revenue streams in the near to medium term. The Group will continue to navigate its future plans and direction to significantly reduce the losses of BigPay while providing Teleport the opportunity to become profitable in the near future.

Taking cognisance of the future direction, outlook and prospects of the Group, Capital A believes that the Group is on a strong footing for growth and profitability.

(Source: The management of the Company)

6. RISKS OF THE PROPOSED REGULARISATION PLAN

6.1. Risks relating to the Group's business

6.1.1. The Group is subject to the inherent risks of the airline and travel industries

The Group's business segments comprise the travel super app, logistics, MRO and digital payment platform businesses. Through the MRO business, the Group is focused on the provision of aviation MRO services for aircraft. The scope of these services includes the maintenance, repair and overhaul of aircraft and related products and services. Meanwhile, through the Group's logistics services, Teleport Group utilises the unutilised cargo belly spaces and cargo spaces from AirAsia aircraft to facilitate the transportation of packages and palletised cargos. The Group's AirAsia MOVE travel app is a mobile and web application which offers a variety of services focusing on travel and lifestyle services, forming a travel ecosystem for its users (who are travellers) as well as travel service providers and merchants. In addition, moving forward, the Group's digital payment platform will focus on targeting existing customers of AirAsia and AirAsia MOVE. As all of the Group's business segments are related to the airline and travel industries, any challenges and/or decline in the airline and travel industries may have a material adverse effect on the Group's business operations and financial performance.

The airline and travel industries may be affected by a number of unforeseeable factors that may impact demand for airlines and travel-related services and/or disrupt operations in the airline industry such as outbreak of diseases, shortage in available passenger aircraft, economic downturns as well as acts of terrorism, civil unrest, riots and wars impacting the ASEAN region.

Nevertheless, the Group expects AirAsia MOVE to diversify its reliance on the airline industry as it not only enables flight and hotel booking, but also booking of ride-hailing, food and beverages and various modes of transportation such as buses, trains and ferries. As such, AirAsia MOVE can still offer other services even though the airline industry is disrupted. Meanwhile, the Group's logistics services business includes B2B and B2C delivery services which allows for domestic deliveries within a city. Despite this, there is no assurance that any future unforeseeable factors impacting demand for airline services and travel-related services and/or disrupting the airline and travel industry will not impact the Group's businesses and financial performance.

6.1.2. The Group is dependent on its key management as well as its ability to hire and retain skilled and qualified employees

The Group recognises that the continuing success of its business is associated with the abilities and efforts of the Group's key management team and key management team of each of its business segments. The Group's key management team and key management team of each of its business segment play significant roles in developing and implementing the Group's business strategies in its day-to-day operations.

In addition, the success of the Group is also dependent, to a large extent, on its ability to recruit and retain skilled and qualified employees. Specifically, for its aviation MRO service, the Group is required to employ engineers with the necessary technical skill set and experience to perform the aviation MRO services for aircraft and aircraft components. The Group also requires skilled software developers for the development, upgrade and maintenance of all of its in-house developed platforms used in all of its business segments, such as the AirAsia MOVE platform used in the travel super app business segment; BigPay platform used in the digital payment platform business segment; Teleportal and Teleport Delivery systems used in the logistics services business segment; and its AEROTRADE™ used in the aviation MRO services business segment. As these platforms are developed in-house, it is important for the Group to retain skilled software developers that are familiar with these platforms to enable continuous enhancements, modifications and upgrades. Apart from that, the Group requires data scientists and analysts to analyse and generate insight analytics on customers' preferences and patterns to allow the Group to improve the customer experience and increase personalisation.

As such, the loss of the Group's key management personnel without suitable and timely replacement could have a material impact on its competitiveness, business and operations. Furthermore, there is no guarantee that the Group will be able to hire and retain skilled and qualified employees in the future. The Group recognises the importance of retaining skilled and qualified employees and thus it has put in place human resource strategies which includes maintaining a competitive remuneration package and providing opportunities for career development for its key management and employees. Nonetheless, there can be no assurance that the Group will be able to recruit, develop and retain adequate number of skilled and qualified key management and employees. Failure in such recruitment or retention may adversely affect the Group's business operations.

6.1.3. The Group is operating in a highly regulated industry and requires a series of approvals, licences, permits, registration and certificates ("Approvals and Licences") to operate the businesses

The Group's logistics services, aviation MRO service and digital payment platform business segments require Approvals and Licences in order to carry out their daily operational activities. As the Group operates across different countries, it is required to obtain Approvals and Licences from the respective local authorities in each country.

The Group is required to comply with all the relevant conditions, laws and regulations under which the Approvals and Licences were issued. Any failure to comply with such conditions, laws or regulations may lead to fines, suspension or termination of its Approvals and Licences. Additionally, the Group is operating in a highly regulated industry whereby it is required to comply with the requirements of laws, regulations, rules and directives from relevant authorities.

Further, certain Approvals and Licences are subject to periodic renewal and there can be no assurance that the same Approvals and Licences may be renewed or similar Approvals and Licences will be granted, in a timely manner. Any non-renewal of these Approvals and Licences may materially adversely affect the Group's business operation, financial condition and growth prospects.

Nonetheless, the Group will undertake the necessary steps to monitor compliance, as well as track the validity and application of the required approvals, licenses, permits, registration and certificate requirements for operations.

6.1.4. The Group faces competition from other industry players

The Group's business segments operate in a competitive market where each of its business segments faces competition from other competitors offering similar services as its service offerings.

The industry players compete in terms of breath of service offering or functionality and features, reputation and branding, quality of service, timeliness of technical and after-sales support and response time. While the AirAsia MOVE travel app and BigPay platform can differentiate from these competitors by leveraging on the AirAsia Brand, its competitors may be equipped with better resources, capabilities and technical expertise allowing them to offer a more comprehensive range of services, wider range of specialised services or improved service and timeliness as compared to it.

In the event where there are new market players or expansion of services by existing competitors, the Group may face increased competition in terms of pricing, technology, service and quality as well as customer satisfaction. The Group's competitors may have more financial, technical and marketing resources than it in which they will have greater ability to fund internal growth, fund capital expenditure and respond more quickly to new technologies as well as changes in customer preferences. Some competitors may also have developed a lower and more efficient cost structure. Therefore, there is no assurance that the Group will be able to compete effectively with its competitors.

Nevertheless, the Group will actively review its pricing and marketing strategies to secure contracts and/or sales from time to time to mitigate the competition risk.

6.1.5. The Group's success in the future will depend on the successful implementation of strategies

The Group's business strategies and growth plans are focused on leveraging on its key strengths and capitalising on its core competencies in the provision of travel super app, logistics services, aviation MRO services and digital payment platform. For further details on the Group's prospects, future plans and business strategies, kindly refer to Section 5.8 of this Announcement.

The prospects and future growth of the Group's business rely significantly on its ability to successfully implement its plans and strategies. The Group is subject to risks where it may not be able to achieve the anticipated timing and objective of its future plans due to a number of factors which includes limitation in human resources or experiences, changes in regulations and limitation in funding. There can also be no assurance that any of the Group's business strategies will be commercially successful or that it will be able to accurately anticipate and mitigate the operational risks relating to its strategies and plans.

Nevertheless, the Group seeks to limit these risks through, among others, prudent financial policies and continuous review of its operations to improve efficiency.

6.1.6. The Group is subject to outbreak of diseases, epidemics, pandemics and natural calamities

The Group is subject to the outbreak of diseases, epidemics, pandemics and natural calamities. Any such occurrences could disrupt the airline and travel industry (as mentioned in Section 6.1.1 of this Announcement), leading to lower demand for the Group's products and services.

For instance, the COVID-19 pandemic which disrupted the global economy, as well as the Malaysian economy, led to the implementation of various movement control orders since 18 March 2020. Such measures resulted in travel restrictions within Malaysia, border controls and temporary closure of businesses, save for those in the provision of essential services. As a result of inter-state and international travel restrictions, demand for passenger air travel significantly declined during this period. The lower number of travellers consequently led to lower sales for airline services which negatively affected the Group's business segments in the following manner:

- AirAsia MOVE's travel app business was impacted as there were lower number of users booking travel services via the AirAsia MOVE travel app;
- Teleport's logistics services business was impacted as there was lower available cargo belly and cargo spaces from AirAsia airlines; and
- BigPay's digital payment platform business was impacted as there were lower payments made for AirAsia's airline services and remittance of international currencies as a result of global travel restriction.

There is no assurance that the Group's business activities will not be materially affected or disrupted if there is any tightening of restrictions in the future caused by any diseases, epidemics, pandemics and natural calamities. Such circumstances may then result in an adverse financial impact on the Group's business, financial condition and operations.

Notwithstanding the above, the Group will take all necessary precautionary measures and steps in order to mitigate the negative impact of any such diseases, epidemics, pandemics and natural calamities to the Group's business activities.

6.1.7. The logistics services and aviation MRO service business segments depend on the Group's ability to secure new orders and contracts

The Group generally does not enter into long term contractual agreements with its customers. Teleport's contracts and agreements entered into for customers of its logistics services are either on a per use basis or does not last longer than a 1-year period. Meanwhile, bookings for line maintenance and base maintenance are primarily secured on an annual basis. Further, the need to enter into long term contractual arrangements would typically be determined by the Group's customers based on their internal policies. There is also no assurance that ADE will continuously receive MRO service orders from AirAsia AOCs or other airlines as its orders are primarily dependent on individual sales performance of its customers. Furthermore, the absence of long-term contractual arrangements with customers may result in the fluctuation of the Group's sales and overall business performance of the Group's logistics services and aviation MRO service business segments.

The Group's ability to maintain and strengthen its existing business relationships and establish relationships with new customers to expand its customer base for its logistics services and aviation MRO service business segment is dependent on, amongst others, the following factors:

(a) its ability to have a diverse range of service offerings;

(b) its ability to cater its services to meet its customers' operational requirements, needs and budget;

(c) competitive pricing and timely delivery of its services.

Teleport has direct cargo capacity and services agreements with global freight forwarders and courier companies, where Teleport provides air logistics services via AirAsia passenger aircraft. Teleport also has delivery agreements with e-commerce marketplaces. Meanwhile, ADE has also secured bookings to provide line maintenance services for 110 aircraft and 183 C-checks (a type of base maintenance service provided) between January to December 2025. Despite this, there can be no assurance that the Group will continue to secure orders or bookings for its logistics services and its aviation MRO service business segments in the future.

6.1.8. The Group's business and operations are subject to the risk of reputation or brand damage

The Group's success depends significantly on its "AirAsia" brand and reputation, as well as its ability to successfully maintain, protect and enhance its "AirAsia" brand and reputation. The AirAsia Brand has been built upon the strong track record of the AirAsia airline services for the past 21 years, having been offering their airlines services to over 130 destinations, including countries in Asia and Middle East as well as the United States and New Zealand.

The Group's business segments, particularly the AirAsia MOVE and BigPay platform leverage on the AirAsia Brand and data. This has, and will continue to allow them to, achieve relatively lower acquisition costs to acquire their user base and/or leverage on the know-how of the airline and travel industry to enhance the services offered on the platform.

As the Group is the subject of regular media coverage, any unfavourable publicity regarding the Group's business operations, such as its business model, product and service offerings, user support, technology, privacy or security practices, regulatory compliances, financial performance or management team could have a negative impact on its brand reputation. Unfavourable publicity could also adversely affect the Group's sales and market share of its network, its engagement with its users and customers as well as the loyalty of users, driver and riders, travel service provides and merchants that use the AirAsia MOVE travel app and BigPay platforms. This could adversely impact the Group's business and financial performance.

Nevertheless, the Group will continue to maintain, protect and enhance its "AirAsia" brand and reputation through good corporate governance practices based on organisation, transparency, accountability and strategic planning.

6.1.9. The Group is subject to risks associated with security, privacy or data breaches involving private, confidential and/or sensitive information

The Group's business involves the collection, processing, storage and transmission of confidential and sensitive information of its customers, drivers and riders, travel service providers and merchants and its employees. These confidential and sensitive information include names, address, identification card or passport numbers, contact information, credit card information and payment records. Thus, the Group is exposed to external security threats including, but not limited to, malware attack, hacking, espionage or cyber intrusion as well as internal security breaches such as unauthorised access to restricted information by its employees, or internal threats which may originate from malware-infected mobile devices which are brought into the network system.

Any breaches and failure to protect proprietary information as well as customer information may not only disrupt the Group's operations, but also damage the reputation of the Group and the "AirAsia" brand name. In addition, any failure to protect user data gathered through AirAsia MOVE and BigPay could subject the Group to fines and/or imprisonments under the Personal Data Protection Act 2010 or any personal data protection laws in the jurisdictions it operates in.

In the past, the Group's IT infrastructure had been attacked by a ransomware resulting in a number of its passenger and employee data being compromised.

The Group currently engages a reputable third-party cloud hosting provider who handles back-up services of the data it saves on their cloud system and have the necessary cybersecurity solutions and procedures put in place to protect its data. In addition, the Group has a security endpoint and antivirus on each of its local computers as protection against any vulnerability. However, there can be no assurance that either the Group or its third-party cloud hosting provider will not face securities breaches and that this would not materially and adversely impact the Group's business and reputation.

6.1.10. The Group may be affected when there are unscheduled system disruptions or failures

All of the Group's business segments utilise digital platforms in the operation of its business activities. Thus, the Group is dependent on the efficiency and reliability of its systems as well as uninterrupted connectivity and operation of other third-party service providers such as data centres and telecommunication networks providers. Any unscheduled interruptions, errors or failure of the Group's system or other third-party systems will negatively affect its business operations. The unscheduled interruptions, errors or failures may be due to several reasons which include, but are not limited to, natural disasters, network connectivity downtime, equipment failure, power losses, cyber or ransomware attacks, sabotage and software viruses. The occurrence of any of these disruptions is beyond the Group's control and may interrupt the operations of the said platforms.

Further, the Group's software, including third-party platforms may contain undetected errors or bugs that could negatively affect AirAsia MOVE and BigPay platforms as it might cause downtime that would impact the availability of its platform, increase the likelihood of a ransomware attack or third-parties engaging in fraudulent activities. As a result, this could reduce the attractiveness of the Group's platforms to users, driver-partners as well as merchant-partners and it would adversely affect its business operation, financial conditions and growth prospects.

The Group also relies on third-party digital distribution service providers such as Apple App Store, Google Play and Huawei App Gallery which makes its AirAsia MOVE travel app and BigPay platforms available to smart phone users for download. There is no assurance that there will be no changes in the terms and condition or policies by the third-party service providers. In addition, AirAsia MOVE travel app and BigPay platforms are accessible from devices running various operating systems such as iOS and Android. Therefore, the Group is dependent on the interoperability of the AirAsia MOVE travel app and BigPay platforms on various devices, operating systems and with other third-party applications. If the Group fails to keep abreast with the changes made by the third-party service providers, it may not be able to enhance or update its platform in time to ensure the continued compatibility. There is also no guarantee that the new enhancements or updates will not cause disruptions to the platform, which may materially and adversely affect the Group's business operations and growth prospects as well as financial performance.

Notwithstanding the above, the Group seeks to mitigate these risks by continuing to maintain and enhance the integrity of its internal systems and networks.

6.1.11. The Group's aviation MRO business is subject to supply disruptions of aircraft parts and components

ADE requires aircraft spare parts and consumables to perform necessary aircraft repairs and part replacements in carrying out its aviation MRO services. Therefore, any supply disruptions of aircraft parts from ADE's suppliers will hinder its ability to deliver its service on time and in line with its contractual commitments to customers. Subsequently, this may have a negative impact on the Group's aviation MRO business operations, reputation, financial performance and growth prospects.

ADE is subject to disruptions in supply of aircraft spare parts and consumables. For instance, the reopening of borders after the COVID-19 pandemic had led to an increase in demand of aircraft parts which subsequently caused shortages of aircraft spare parts. As a result, the Group's ability to deploy its aviation MRO services concerning certain aircraft spare parts such as pressure regulating valves, brake torque tubes, and air starter motors, amongst others, had been adversely affected. Nevertheless, as at the LPD, the supply of aircraft parts is improving and there is currently no shortage of aircraft spare parts. However, there is no guarantee that ADE will not experience such supply disruptions again in the future.

In order to mitigate the risk of supply disruptions of aircraft parts and components, the Group through ADE, will actively monitor its supply chain operations and continuously review its operations to enhance efficiency.

6.1.12. The Group's AirAsia MOVE Travel App and BigPay platform are subject to changes in technology and dependency on market acceptance of its services

The AirAsia MOVE travel app and BigPay platforms operate in a dynamic industry in which their services and platforms are prone to evolving industry standards, rapid technological development and frequent new services introductions and enhancements. The future growth and success of the Group's travel app and fintech platform will depend significantly on the continuing market acceptance of its services and platforms as well as its ability to develop new services and/or enhance its existing services to meet the market demand and its users' or customers' needs.

In order to remain competitive, the Group will have to keep abreast with the changing technology and market acceptance. If the Group's services on its platforms become outdated or obsolete, it will have to upgrade its services or platforms with enhanced functionalities to cater to market demand. However, the development of new or enhanced functionalities is a complex and uncertain process and it may experience design or other operational difficulties that could delay the development process. In the event that the Group is unable to develop new services and/or enhance existing services on a timely and cost-effective basis, or if such services fail to achieve market acceptance, the Group's financial performance will be materially and adversely affected.

6.1.13. BigPay platform operations may be adversely affected if there is any failure by it or its customers to comply with applicable anti-money laundering or other related laws and regulations

As a financial services provider, BigPay and its platform is subject to various laws and regulations in the jurisdictions in which it operates in as a fintech platform. This includes, among others, laws and regulations relating to financial services, privacy, anti-money laundering, remittances, electronic funds transfer, cybersecurity and users' data protection. As the BigPay platforms may be susceptible to illegal or improper use, such as money laundering, fraudulent sales of goods or services and transactions with sanctioned parties, any failures by BigPay or its customers (who are users of BigPay platform) to comply with the laws and regulations may result in civil or criminal penalties, fines or suspension or revocation of licences on BigPay. Consequently, it will cause an adverse effect on the Group's reputation, business operation and financial performance or in extreme circumstances, the closure of BigPay in certain jurisdictions.

In order to mitigate this risk, BigPay utilises algorithms in its platform to detect unusual activity. BigPay also conducts background checks and know-your-customer processes on new users during account registration by using several verification processes and prior to approving credit financing applications using information from established third-party background check providers. Despite this, there is no assurance that these measures are sufficient to fully eliminate such unlawful and suspicious transactions. If BigPay is convicted, it may be subjected to fines and/or imprisonment, and the reputation of the BigPay platform may be adversely affected.

6.1.14. Any adverse litigation judgements or settlements resulting from legal proceedings in which the Group may be involved could expose it to monetary damages and adversely affect its business operations

The Group may be involved in various legal proceedings by its users, customers, driver-partners, merchant-partners, commercial partners, competitors or government agencies. Some examples of legal proceedings may include, but are not limited to, wrongful act, labour-related disputes, disputes with driver-partners or merchant-partners, personal injury or property damages or proceedings related to compliance with competition and data privacy regulations. The results of any such investigation or legal proceedings are inherently unpredictable and may be costly. As such, any adverse litigation judgements or settlements resulting from legal proceedings may adversely affect the Group’s business operations, reputations, financial condition and prospects.

The Group endeavours to mitigate the abovementioned risks by taking prudent measures to upkeep the Group’s interest and dedicating the necessary resources to address any potential legal proceedings.

6.2. Risks relating to the Proposed Regularisation Plan

6.2.1. Delays in the implementation or non-completion of the Proposed Corporate Exercises and Proposed Regularisation Plan

The regularisation of the Group is to a large extent, dependent on the timely implementation of the Proposed Corporate Exercises and Proposed Regularisation Plan. Any delays or non-completion in the implementation of any component of the Proposed Corporate Exercises and Proposed Regularisation Plan may adversely affect or terminate the implementation process of the entire Proposed Regularisation Plan. In addition, the Proposed Regularisation Plan is subject to the approval from relevant authorities, the shareholders of the Company at an extraordinary general meeting of the Company in relation to the Proposed Regularisation Plan (“**EGM**”) to be convened, the RCUIDS holders at an RCUIDS holders meeting to be convened in relation to the Proposed Regularisation Plan, financiers and any other third parties. In the event that the approvals from the relevant parties are not obtained, the Proposed Regularisation Plan may be delayed or terminated. Nonetheless, the Company will undertake the necessary steps to ensure successful and timely implementation of the Proposed Corporate Exercises and Proposed Regularisation Plan.

6.3. Risk relating to the PN17 classification

6.3.1. Risk of removal from the Official List

The Proposed Regularisation Plan is subject to, among others, the approvals being obtained from Bursa Securities and shareholders of the Company at the forthcoming EGM. There is no assurance that Bursa Securities will approve the Proposed Regularisation Plan and/or grant any further extension of time to the Company to submit any revised regularisation plan thereafter. In the event the Proposed Regularisation Plan is not approved by Bursa Securities, Bursa Securities may remove the Company from the Official List of Bursa Securities.

In addition, in accordance with Paragraph 5.2 of PN17, the Proposed Regularisation Plan (which will not result in a significant change in the business direction or policy of the Company) must be implemented within 12 months from the date the Proposed Regularisation Plan is approved by Bursa Securities and the Company must record a net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the Proposed Regularisation Plan.

If the above conditions and/or approvals are not met and/or obtained by the Company within the stipulated timeframe, the Company will be removed from the Official List of Bursa Securities.

Notwithstanding that the relevant approvals required for the Proposed Regularisation Plan may be obtained, in the event the Company is unable to record a net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the Proposed Regularisation Plan, there is a risk that the Company will continue to be classified as a PN17 issuer and/or Bursa Securities may suspend the trading of the Company’s shares and/or remove the Company from the Official List.

The management of the Company will endeavour to ensure that the deadline for the completion of the Proposed Regularisation Plan is met and implement the Group’s prospects, future plans and business strategies as set out in Section 5.8 of this Announcement to turnaround the Group and return to profitability to avoid the delisting of the Company.

7. EFFECTS OF THE PROPOSED REGULARISATION PLAN

The pro forma effects of the Proposed Capital Reduction have been prepared based on the following scenarios:

Minimum Scenario : Based on the assumption that none of the outstanding RCUIDS are converted and the outstanding Warrants are exercised into new Capital A Shares prior to the entitlement date of the Proposed Distribution under the Proposed Corporate Exercises.

Maximum Scenario : Based on the assumption that all the outstanding RCUIDS and Warrants are converted and exercised into new Capital A Shares prior to the entitlement date of the Proposed Distribution under the Proposed Corporate Exercises.

7.1. Share capital

For illustration purposes, the pro forma effects of the Proposed Capital Reduction on the issued capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	**Amount (RM' 000)**	**No. of Shares ('000)**	**Amount (RM' 000)**
Issued share capital as at the LPD	4,308,106	8,770,311	4,308,106	8,770,311
Add : Shares to be issued assuming all the outstanding RCUIDS are converted	-	-	889,303	666,978
Add : Shares to be issued assuming all the outstanding Warrants are exercised	-	-	649,670	649,670
Less : Reduction in the issued share capital pursuant to the Proposed Corporate Exercises	-	(1)(2,978,462)	-	(1)(2,978,462)
	4,308,106	5,791,849	5,847,079	7,108,497
Less : Reduction in the issued share capital pursuant to the Proposed Capital Reduction	-	(5,000,000)	-	(5,000,000)
Resultant issued share capital	**4,306,106**	**791,849**	**5,847,079**	**2,108,497**

Note:

(1) For illustration purposes, the reduction in the issued share capital of RM3.0 billion pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.76 each, being the 5-day VWAP of AAX Shares up to and including the LPD.

7.2. NA and gearing

Based on the latest audited consolidated statements of financial position of the Company as at 31 December 2023 and assuming that the Proposed Corporate Exercises and Proposed Capital Reduction had been effected on that date, the pro forma effects of the Proposed Capital Reduction on the NA per Share and gearing of the Group are as follows:

Minimum Scenario

	Audited as at 31 December 2023	(I) After the Proposed AAAGL Disposal and Proposed Distribution[(2)]	(II) After (I) and the Proposed AAB Disposal[(3)]	(III) After (II) and the Proposed Capital Reduction
	RM'million	**RM'million**	**RM'million**	**RM'million**
Share Capital	8,711.7	5,733.3	5,733.3	733.3
Merger Deficit	(5,507.6)	(5,507.6)	-	-
Other Reserves	138.7	153.4	110.1	214.6
Foreign Exchange Reserve	217.1	163.2	(59.9)	(59.9)
Accumulated Losses	(12,322.0)	(7,329.3)	(4,895.5)	-
Shareholders' equity/ NA	**(8,762.1)**	**(6,787.0)**	**888.0**	**888.0**
Number of ordinary shares in issue ('million)	4,254.58	4,254.58	4,254.58	4,254.58
NA per Share (RM)	(2.06)	(1.60)	0.21	0.21
Total borrowings (RM'million)	24,180	17,784	1,734	1,734
Gearing ratio (times)	[(1)]N/A	N/A	1.95	1.95

Notes:

(1) During the FYE 31 December 2023, the Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.

(2) Adjusted to incorporate the following effects of the Proposed AAAGL Disposal and Proposed Distribution:

(a) the share consideration received for the Proposed AAAGL Disposal of approximately RM4.1 billion. For the purpose of illustration in the pro forma effects above, the purchase consideration was illustrated at approximately RM4.1 billion which was based on the issue price of each Consideration Share of RM1.76, being the 5-day VWAP of AAX Shares up to and including the LPD;

(b) the deconsolidation of AAAGL from the Group;

(c) for the purpose of illustration in the pro forma effects above, the reduction in the issued share capital of RM3.0 billion pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.76 each, being the 5-day VWAP of AAX Shares up to and including the LPD;

(d) the decrease in accumulated losses is due to the pro forma effect arising from the remeasurement of remaining interest of the Company in AAAGL of RM3.8 billion and the transfer of AAAGL's other reserves and non-controlling interest of RM1.2 billion; and

(e) the reduction in total borrowings is due to the derecognition of the total borrowings of AAAGL Group of RM6.4 billion as at 31 December 2023 pursuant to the Proposed AAAGL Disposal;

(3) Adjusted to incorporate the following effects of the Proposed AAB Disposal:

(a) the Debt Settlement of RM3.8 billion;

(b) the deconsolidation of AAB from the Group;

(c) the deconsolidation of merger deficit arising from the acquisition of AAB by the Company previously;

(d) the decrease in accumulated losses is due to the pro forma gain arising from the Proposed AAB Disposal of RM7.7 billion and transfer of AAB's other reserves to accumulated losses of RM266.5 million, which is offset by the reclassification of merger deficit of RM5.5 billion; and

(e) the reduction in total borrowings is due to the derecognition of the total borrowings of AAB Group of RM16.0 billion as at 31 December 2023 pursuant to the Proposed AAB Disposal;

(4) The estimated transaction costs for the Proposed Corporate Exercises amounted to RM15.52 million comprising professional fees of RM15.25 million, fees to authorities of RM0.05 million, EGM costs of RM0.10 million, printing and advertisement costs of RM0.10 million and miscellaneous expenses of RM0.02 million.

Maximum Scenario

	Audited as at 31 December 2023	**(I) Assuming all the outstanding RCUIDS and Warrants are exercised(2)**	**(II) After (I) and the Proposed AAAGL Disposal and Proposed Distribution(4)**	**(III) After (II) and the Proposed AAB Disposal(5)**	**(IV) After (III) and the Proposed Capital Reduction**
	RM'million	**RM'million**	**RM'million**	**RM'million**	**RM'million**
Share Capital	8,711.7	10,068.5	7,090.1	7,090.1	2,090.1
Merger Deficit	(5,507.6)	(5,507.6)	(5,507.6)	-	-
Other Reserves	138.7	59.3	74.0	30.7	206.9
Foreign Exchange Reserve	217.1	217.1	163.2	(59.9)	(59.9)
Accumulated Losses	(12,322.0)	(12,250.3)	(7,257.6)	(4,823.8)	-
Shareholders' equity/ NA	**(8,762.1)**	**(7,413.0)**	**(5,437.9)**	**2,237.1**	**2,237.1**
Number of ordinary shares in issue ('million)	4,254.58	(3) 5,847.08	(3) 5,847.08	(3) 5,847.08	5,847.08
NA per Share (RM)	(2.06)	(1.27)	(0.93)	0.38	0.38
Total borrowings (RM'million)	24,180	24,180	17,784	1,734	1,734
Gearing ratio (times)	(1)N/A	(1)N/A	N/A	0.78	0.78

Notes:

(1) During the FYE 31 December 2023, the Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.

(2) Adjusted to incorporate the following effects of the conversion and exercise of all outstanding RCUIDS and Warrants as at 31 December 2023:

(a) the reduction of approximately RM23.2 million RCUIDS reserve as a result of the conversion of all outstanding RCUIDS; and

(b) the reduction of approximately RM56.2 million Warrants reserve as a result of the exercise of all outstanding Warrants.

(3) Assuming all the outstanding 942,826,785 RCUIDS as at 31 December 2023 are converted at the conversion price of RM0.75 per RCUIDS into 942,826,785 new Shares and all outstanding 649,670,148 Warrants as at 31 December 2023 are exercised at the exercise price of RM1.00 per Warrant into 649,670,148 new Shares before the entitlement date of the Proposed Distribution.

(4) Adjusted to incorporate the following effects of the Proposed AAAGL Disposal and Proposed Distribution:

(a) the share consideration received for the Proposed AAAGL Disposal of approximately RM4.1 billion. For the purpose of illustration in the pro forma effects above, the purchase consideration was illustrated at approximately RM4.1 billion, which is based on the issue price of each Consideration Share of RM1.76, being the 5-day VWAP of AAX Shares up to and including the LPD;

(b) the deconsolidation of AAAGL from the Group;

(c) For the purpose of illustration in the pro forma effects above, the reduction in the issued share capital of RM3.0 billion pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.76 each, being the 5-day VWAP of AAX Shares up to and including the LPD;

(d) the decrease in accumulated losses is due to the pro forma effect arising from the remeasurement of remaining interest of the Company in AAAGL of RM3.8 billion and the transfer of AAAGL's other reserves and non-controlling interest of RM1.2 billion; and

(e) the reduction in total borrowings is due to the derecognition of the total borrowings of AAAGL Group of RM6.4 billion as at 31 December 2023 pursuant to the Proposed AAAGL Disposal;

(5) Adjusted to incorporate the following effects of the Proposed AAB Disposal:

(a) the Debt Settlement of RM3.8 billion;

(b) the deconsolidation of AAB from the Group;

(c) the deconsolidation of merger deficit arising from the acquisition of AAB by the Company previously;

(d) the decrease in accumulated losses is due to the pro forma gain arising from the Proposed AAB Disposal of RM7.7 billion and transfer of AAB's other reserves to accumulated losses of RM266.5 million, which is offset by the reclassification of merger deficit of RM5.5 billion; and

(e) the reduction in total borrowings is due to the derecognition of the total borrowings of AAB Group of RM16.0 billion as at 31 December 2023 pursuant to the Proposed AAB Disposal.

(6) The estimated transaction costs for the Proposed Corporate Exercises amounted to RM15.52 million comprising professional fees of RM15.25 million, fees to authorities of RM0.05 million, EGM costs of RM0.10 million, printing and advertisement costs of RM0.10 million and miscellaneous expenses of RM0.02 million.

7.3. Substantial shareholders' shareholdings

The Proposed Capital Reduction will not have any effect on the substantial shareholders' shareholdings in the Company as the Proposed Capital Reduction does not involve the issuance of any new Capital A Shares or cancellation of any Capital A Shares.

7.4. Earnings and EPS

The Proposed Capital Reduction will not have any effect on the earnings and EPS of the Group.

7.5. Convertible securities

Save for the following, the Company does not have any other convertible security in issue as at the LPD:

(a) RCUIDS

As at the LPD, there are 889,303,438 RCUIDS which remain in issue and are convertible into new Capital A Shares at a conversion price of RM0.75. Based on the relevant provision of the trust deed constituting the RCUIDS dated 18 November 2021, the Proposed Regularisation Plan will not give rise to an adjustment to the conversion price or conversion ratio of the RCUIDS.

(b) Warrants

As at the LPD, 649,670,148 Warrants remain outstanding in Capital A. Based on the relevant provisions of the deed poll constituting the Warrants dated 18 November 2021, the Proposed Regularisation Plan will not give rise to an adjustment to the exercise price of the Warrants.

(c) ESOS Options

As at the LPD, there are no outstanding ESOS Options in Capital A under Capital A's long term incentive scheme. All ESOS Options previously granted by Capital A were deemed cancelled on 31 August 2024 as the conditions for vesting of the ESOS Options (which was originally scheduled for vesting on 31 August 2024) were not met.

For the avoidance of doubt, Capital A's long term incentive scheme remains subsisting as at the LPD.

8. APPROVALS REQUIRED

The Proposed Regularisation Plan is subject to the following approvals being obtained:

(a) Bursa Securities for the Proposed Regularisation Plan;

(b) the sealed order of the High Court of Malaya pursuant to Section 116 of the Act confirming the reduction in share capital pursuant to the Proposed Capital Reduction;

(c) the shareholders of the Company at an EGM to be convened for the Proposed Regularisation Plan;

(d) the RCUIDS holders at an RCUIDS holders meeting to be convened for the Proposed Regularisation Plan; and

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

The Proposed Capital Reduction is conditional upon the completion of the Proposed Corporate Exercises and is not conditional upon any other proposal undertaken or being undertaken by the Company.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

None of the Directors and major shareholders of the Company, and/or persons connected with them have any interests, whether direct and/or indirect, in the Proposed Regularisation Plan.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Regularisation Plan including but not limited to the rationale, pro forma financial effects, risk factors, prospects and future plans of the Company, is of the opinion that the Proposed Regularisation Plan is in the best interest of the Company.

11. PRINCIPAL ADVISER

RHB Investment Bank has been appointed as the Principal Adviser to the Company for the Proposed Regularisation Plan.

12. APPLICATION TO AUTHORITIES

The application to Bursa Securities in relation to the Proposed Regularisation Plan is expected to be submitted by 31 November 2024, or such other date as approved by Bursa Securities.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Company expects to complete the implementation of the Proposed Regularisation Plan within 3 months from the date of approval of Bursa Securities.

This Announcement is dated 23 October 2024.