

**201701030323 (1244493-V)**

**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

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**Directors' report**

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

**Principal activities**

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

**Results**

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

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

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

**Dividends**

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

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**Directors**

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

Datuk Kamarudin bin Meranun\*

Tan Sri Anthony Francis Fernandes\*

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar

Dato' Mohamed Khadar bin Merican

Dato' Fam Lee Ee

Surina Binti Shukri

*(Appointed on 31 January 2022)*

Stuart L Dean

*(Resigned on 1 November 2021)*

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

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

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

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**Directors (cont'd.)**

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

Teoh Hooi Ling	V Loganathan S/O Velaitham	Woo Wai Han
Tharumalingam a/l	Veranita Yosephine	Wuri Septiawan
Kanagalingam	Wang Wenju	Ybhg Tan Sri Dato' Sri (Dr.)
Tommy Lo Seen Chong	Wee Choo Peng	Mohamad Norza bin Zakaria

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

**Directors' benefits**

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

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

**Directors' interests**

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

	Number of ordinary shares		
	At 1.1.2021	Acquired	At 31.12.2021
<b>Direct interests in the Company</b>			
Datuk Kamarudin bin Meranun <sup>2</sup>	2,000,000	-	2,000,000
Tan Sri Anthony Francis Fernandes <sup>2</sup>	1,600,000	-	1,600,000
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	989,500	-	989,500
Dato' Mohamed Khadar bin Merican	250,000	-	250,000

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**Directors' interests (cont'd.)**

	Number of ordinary shares		
	At 1.1.2021	Acquired	Disposed
<b>Indirect interests in the Company</b>			
Tan Sri Anthony Francis Fernandes <sup>1</sup>	1,025,485,082	-	-
Datuk Kamarudin bin Meranun <sup>1</sup>	1,025,485,082	-	-

	Number of redeemable convertible unsecured islamic debt securities ("RCUIDS")		
	At 1.1.2021	Acquired <sup>#</sup>	Disposed

**Direct interests**

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	-	329,833	-
Dato' Mohamed Khadar bin Merican	-	100,000	-

**Indirect interests^**

Tan Sri Anthony Francis Fernandes <sup>1</sup>	-	343,028,359	-
Datuk Kamarudin bin Meranun <sup>1</sup>	-	343,028,359	-

	Number of Warrants		
	At 1.1.2021	Acquired <sup>#</sup>	Disposed

**Direct interests**

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	-	164,916	-
Dato' Mohamed Khadar bin Merican	-	50,000	-

**Indirect interests^**

Tan Sri Anthony Francis Fernandes <sup>1</sup>	-	171,514,179	-
Datuk Kamarudin bin Meranun <sup>1</sup>	-	171,514,179	-

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**Directors' interests (cont'd.)**

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

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

**Issue of shares and redeemable convertible unsecured islamic debt securities ("RCUIDS")**

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

- (i) Issuance of 369,846,852 new ordinary shares at RM0.675 per share as part of the first tranche of private placement amounting to RM249,646,625 on 18 February 2021 for working capital purposes, as disclosed in Note 31(i).
- (ii) Issuance of 100,367,362 new ordinary shares at RM0.865 per share as part of the second tranche of private placement amounting to RM86,817,768 on 16 March 2021 for working capital purposes, as disclosed in Note 31(i).
- (iii) Issuance of 85,864,583 new ordinary shares at RM1.20 per share as part of the purchase consideration for the remaining 20% equity stake in BIGLIFE Sdn Bhd amounting to RM103,037,500 as disclosed in Note 31(ii).

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

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**Issue of shares and redeemable convertible unsecured islamic debt securities ("RCUIDS") (cont'd.)**

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

**Options granted over unissued shares**

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

***LTIS***

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

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

<b>Expiry date</b>	<b>Exercise price (RM)</b>	<b>Options</b>
1 August 2027	0.7425	151,600,000

**Statutory information on the financial statements**

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

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

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**Statutory information on the financial statements (cont'd.)**

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps: (cont'd.)
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are aware of the COVID-19 pandemic, which may have an impact on certain values attributed to current assets and valuation methods adopted by the Group and the Company.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) with exception of the socioeconomic effects of the COVID-19 pandemic which impacted the financial circumstances of the Group and of the Company, the results of the Group and of the Company during the financial year were otherwise not substantially affected by any item, transaction or event of a material and unusual nature.



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**Statutory information on the financial statements (cont'd.)**

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

**Significant events**

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

**Subsequent event**

Details of subsequent event is disclosed in Note 44 to the financial statements.

**Auditors**

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

Auditors' remuneration are disclosed in Note 6 to the financial statements.

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

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

Datuk Kamarudin bin Meranun

Tan Sri Anthony Francis Fernandes

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**Statement by directors**  
**Pursuant to Section 251(2) of the Companies Act 2016**

We, Datuk Kamarudin bin Meranun and Tan Sri Anthony Francis Fernandes, being two of the Directors of Capital A Berhad (formerly known as AirAsia Group Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 21 to 183 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

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

Datuk Kamarudin bin Meranun

Tan Sri Anthony Francis Fernandes

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

I, Tan Sri Anthony Francis Fernandes, being the Director primarily responsible for the financial management of Capital A Berhad (formerly known as AirAsia Group Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 21 to 183 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed Tan Sri Anthony Francis Fernandes  
at Kuala Lumpur in Malaysia  
on 29 April 2022

Tan Sri Anthony Francis Fernandes

Before me,

Commissioner for Oaths  
Kuala Lumpur

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**Independent auditors' report to the members of  
Capital A Berhad  
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**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Capital A Berhad (formerly known as AirAsia Group Berhad), which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

*Basis for Opinion*

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

*Independence and other ethical responsibilities*

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

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**Independent auditors' report to the members of  
Capital A Berhad (cont'd.)  
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*Key Audit Matters*

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

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

**Going concern assessment**

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

**Our response**

In addressing this area of audit focus, we performed amongst others, the following procedures:

- We had discussions with the Directors to understand their plans to respond to the evolving business environment;

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**Independent auditors' report to the members of  
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**Going concern assessment  
(cont'd.)**

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

As disclosed in Note 2.1 to the financial statements, the Directors have prepared cash flow forecast as part of the assessment of whether the Group and the Company will be able to continue as a going concern. The going concern assessment was highly subjective as it is largely based on expectations of, and estimates made by the Directors which can be influenced by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Critical to the going concern assessment are the Directors' expectations of recovery in passenger numbers following the re-opening of domestic and international borders, the volatility of major operating costs and the continuous support from the aircraft lessors. Accordingly, we identified going concern assessment as an area requiring audit focus.

**Our response (cont'd.)**

In addressing this area of audit focus, we performed amongst others, the following procedures:  
(cont'd.)

- We read the material lease agreements to obtain understanding of the renegotiated terms of lease agreements for the Group's aircraft;
- As disclosed in Note 2.1 to the financial statements, whilst the successful renegotiation of terms with lessors have significantly improved the cost and cash flow management of the Group, the Group requires the continuous support from its lessors to allow flexibilities in terms of payments of the lease rentals until such time the Group reaches a tenable level of operation. To this end, the lessors have been very supportive of the Group since the onset of the COVID-19 pandemic. On this basis, the Directors believe that the Group will continue to receive support from its lessors. We corroborated this expectation by reviewing the correspondences between the Group and the lessors as well as performing enquiries with the major aircraft lessors.

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Going concern assessment  
(cont'd.)

Our response (cont'd.)

In addressing this area of audit focus, we performed amongst others, the following procedures:  
(cont'd.)

- We evaluated the evidence to corroborate the commitment provided by certain shareholders of the Group to maintain the sustainability of the Group's operations;
- We evaluated the estimates made by the Directors in respect of revenue forecasts against the International Air Transport Association's forecast trajectory for the recovery in passenger numbers from COVID-19; and
- We evaluated the estimates made by the Directors in respect of major operating costs such as fuel costs, salaries and aircraft maintenance against the Group's business plans, historical results and external data on the expectation of future prices.

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**Independent auditors' report to the members of  
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**Impairment assessment of non-financial  
assets**

**a) Impairment assessment of right-of-use  
assets ("ROUA") and property, plant and  
equipment ("PPE")**

Refer to Note 3.1, Note 11 and Note 29 to the  
financial statements.

At 31 December 2021, the carrying amount  
of ROUA and PPE of the Group are RM9,751  
million and RM933 million, respectively.

The Group is required to assess at the end of  
each reporting period whether there is any  
indication that an asset may be impaired. If  
any such indication exists, the entity shall  
estimate the recoverable amount of the asset.

**Our response (cont'd.)**

In addressing this area of audit focus,  
our audit procedures included,  
amongst others:

- Held discussions with senior management to understand the basis of the assumptions used in forming the estimates underpinning the assessment of the recoverable amount of the CGUs. These estimates include those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates;
- Assessed the key assumptions on which the cash flow projections are based, including, and where relevant, comparing them against financial and non-financial historical trends. We also referred to publicly available aviation industry reports relating to the impact COVID-19 pandemic has on global passenger demand, as well as local regulatory requirements and developments in the various jurisdictions that the Group operates in to gauge the possible timing of recovery;

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*Key Audit Matters (cont'd.)*

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

**Our response (cont'd.)**

**a) Impairment assessment of right-of-use  
assets ("ROUA") and property, plant and  
equipment ("PPE") (cont'd.)**

In addressing this area of audit  
focus, our audit procedures  
included, amongst others: (cont'd.)

The COVID-19 pandemic has resulted in significant losses and a significant amount of economic uncertainty in the current and future economic environment in which the Group operates. The Group's current and near-term cashflows have been negatively impacted due to global travel restrictions and the resultant global decrease in travel demand. The duration and severity of the crisis is dependent on events which are continuously unfolding and are beyond the control of the Group.

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

As the impairment assessment involves estimation and judgement arising from the above factors, this is a key area of focus for our audit.

- Assessed the arithmetical accuracy of the computations used in assessing the recoverable amount of the CGUs;
- Involved internal specialists to assess the appropriateness of the discount rates applied in the respective discounted cash flow projections; and
- Evaluated the adequacy of the Group's disclosures of key assumptions used in estimations.



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*Key Audit Matters (cont'd.)*

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

**Our response (cont'd.)**

**b) Impairment assessment of intangible assets**

Refer to Note 3.5 and Note 16 to the financial statements.

The Group is required to perform annual impairment test of cash generating units (CGUs) to which intangible assets have been allocated. The Group estimated the recoverable amount of its CGUs based on the value-in-use ("VIU") model. Estimating the VIU of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate.

Included in the Group's intangible assets as at 31 December 2021 are:

(a) goodwill amounted to RM103 million arising from step-up acquisition of BIGLIFE Sdn Bhd;

(b) goodwill arising from consolidation of PT Indonesia AirAsia ("IAA") amounted to RM38 million;

(c) provisional goodwill arising from consolidation of Velox Technology (Thailand) Company Limited ("Velox") amounted to RM161 million; and

(d) landing rights arising from consolidation of IAA and AirAsia Inc ("PAA") amounted to RM375 million and RM69 million, respectively.

We focused on the impairment assessment of the intangible assets due to the magnitude of the balance and the subjectivity involved. Specifically, we focused on the assumptions applied in respect of revenue growth, cost escalation rates, terminal value and discount rates.

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*Information Other than the Financial Statements and Auditors' Report Thereon*

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

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

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

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

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

*Responsibilities of the Directors for the Financial Statements*

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

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

201701030323 (1244493-V)

**Independent auditors' report to the members of  
Capital A Berhad (cont'd.)  
(formerly known as AirAsia Group Berhad)  
(Incorporated in Malaysia)**

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

201701030323 (1244493-V)

**Independent auditors' report to the members of  
Capital A Berhad (cont'd.)  
(formerly known as AirAsia Group Berhad)  
(Incorporated in Malaysia)**

*Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)*

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and of the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

201701030323 (1244493-V)

**Independent auditors' report to the members of  
Capital A Berhad (cont'd.)  
(formerly known as AirAsia Group Berhad)  
(Incorporated in Malaysia)**

*Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)*

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

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

**Other matters**

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

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

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

Kuala Lumpur, Malaysia  
29 April 2022

**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**Income statements**  
**For the financial year ended 31 December 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>Restated</b>		
Revenue	4(a)	1,836,186	3,274,399	-	-
Other income	4(b)	111,704	342,718	92	3,774
Operating expenses					
- Staff costs	5(a)	(795,638)	(1,166,181)	(35,847)	(14,095)
- Depreciation of property, plant and equipment	11	(164,685)	(150,920)	-	-
- Depreciation of right-of-use assets	29	(1,655,887)	(1,922,078)	-	-
- Aircraft fuel expenses	7(a)	(393,941)	(1,962,679)	-	-
- Maintenance and overhaul	7(b)	(480,619)	(533,746)	-	-
- User charges	7(c)	(760,537)	(703,567)	-	-
- Other operating expenses	6	(542,192)	(2,600,200)	(22,946)	(247,647)
Operating loss		(2,845,609)	(5,422,254)	(58,701)	(257,968)
Finance income	8(a)	35,314	115,944	40	298
Finance costs	8(b)	(679,807)	(713,651)	(1)	(2)
Net operating loss		(3,490,102)	(6,019,961)	(58,662)	(257,672)
Foreign exchange (losses)/gains	8(c)	(71,084)	444,763	(5,186)	533
Net fair value gains/(losses) on derivatives	8(d)	31,377	(141,953)	-	-
Gain on disposal of investment in an associate	14	-	152,911	-	-
Fair value of retained interest in a previous associate	14	-	76,456	-	-
Share of results of joint ventures		(453)	(693)	-	-
Share of results of associates		(44,774)	(62,822)	-	-
Loss before taxation		(3,575,036)	(5,551,299)	(63,848)	(257,139)

**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**Income statements**

For the financial year ended 31 December 2021 (cont'd.)

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>Restated</b>		
Loss before taxation brought forward		(3,575,036)	(5,551,299)	(63,848)	(257,139)
Taxation					
- Current taxation	9	(4,974)	(17,803)	150	(4,461)
- Deferred taxation	9	(140,765)	(318,826)	-	-
		<u>(145,739)</u>	<u>(336,629)</u>	<u>150</u>	<u>(4,461)</u>
Net loss for the financial year		<u>(3,720,775)</u>	<u>(5,887,928)</u>	<u>(63,698)</u>	<u>(261,600)</u>
Net loss for the financial year attributable to:					
- Owners of the Company		(2,991,075)	(5,111,667)		
- Non-controlling interests		<u>(729,700)</u>	<u>(776,261)</u>		
		<u>(3,720,775)</u>	<u>(5,887,928)</u>		
Loss per share attributable to owners of the Company (sen)					
- Basic	10	(79.0)	(153.0)		
- Diluted	10	<u>(79.0)</u>	<u>(153.0)</u>		

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

**Capital A Berhad**  
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**Statements of comprehensive income**  
**For the financial year ended 31 December 2021**

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



**Capital A Berhad**  
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**Statements of comprehensive income**  
**For the financial year ended 31 December 2021 (cont'd.)**

	<b>Note</b>	<b>Group 2021 RM'000</b>	<b>2020 RM'000</b>
<b>Other comprehensive</b>			
<b>(loss)/income (cont'd.)</b>			
Total comprehensive loss attributable to:			
- Owners of the Company		(2,911,298)	(5,712,617)
- Non-controlling interests		(712,948)	(767,917)
		<u>(3,624,246)</u>	<u>(6,480,534)</u>

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

**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
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**Statements of financial position**  
**As at 31 December 2021**

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

**Capital A Berhad**  
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**Statements of financial position**  
**As at 31 December 2021 (cont'd.)**

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
			Restated		
<b>Less: Current liabilities</b>					
Trade and other payables	26	2,308,897	2,508,900	7,666	7,209
Aircraft maintenance provisions and liabilities	27	976,633	711,764	-	-
Sales in advance	2.23.1	930,510	933,376	-	-
Amounts due to subsidiaries	22	-	-	213,099	462,178
Amounts due to associates	23	43,297	35,907	-	-
Amounts due to related parties	24	129,717	49,923	-	-
Borrowings	28	887,228	1,016,312	-	-
Lease liabilities	29	3,905,769	3,247,138	-	-
Tax payables		21,873	25,629	-	1,627
Derivative financial instruments	20	-	134,655	-	-
		<u>9,203,924</u>	<u>8,663,604</u>	<u>220,765</u>	<u>471,014</u>
<b>Net current (liabilities)/assets</b>		<u>(6,754,176)</u>	<u>(5,902,488)</u>	<u>1,444,641</u>	<u>76,058</u>
<b>Non-current liabilities</b>					
Other payables	26	292,691	273,455	-	-
Aircraft maintenance provisions and liabilities	27	4,860,637	4,857,292	-	-
Deferred tax liabilities	17	169,477	18,132	32,892	-
Borrowings	28	1,422,661	272,557	822,437	-
Lease liabilities	29	10,389,525	9,188,102	-	-
Derivative financial instruments	20	32,785	64,818	-	-
Provision for retirement benefits	30	81,084	97,667	-	-
		<u>17,248,860</u>	<u>14,772,023</u>	<u>855,329</u>	<u>-</u>
		<u>(6,422,903)</u>	<u>(3,569,794)</u>	<u>9,299,350</u>	<u>8,546,890</u>

**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**Statements of financial position**  
**As at 31 December 2021 (cont'd.)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>Restated</b>		
<b>Capital and reserves</b>					
Share capital	31	8,457,172	8,023,268	8,457,172	8,023,268
Merger deficit	33	(5,507,594)	(5,507,594)	-	-
Foreign exchange reserve		(118,439)	(57,378)	-	-
(Accumulated losses)/ retained earnings		(6,374,760)	(3,447,215)	569,038	605,523
Reserves	34	161,321	(225,368)	273,140	(81,901)
Total shareholders' (deficit)/ funds		(3,382,300)	(1,214,287)	9,299,350	8,546,890
Non-controlling interests	12	(3,040,603)	(2,355,507)	-	-
Total equity		(6,422,903)	(3,569,794)	9,299,350	8,546,890

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

**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**Consolidated statement of changes in equity**  
**For the financial year ended 31 December 2021**

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

Capital A Berhad  
(formerly known as AirAsia Group Berhad)  
(Incorporated in Malaysia)

Consolidated statement of changes in equity  
For the financial year ended 31 December 2021 (cont'd.)

	<----- Attributable to owners of the Company ----->											
	<----- Non-distributable ----->								Distributable			
	Number of shares '000	Share capital RM'000 (Note 31)	Merger deficit RM'000 (Note 33)	Foreign exchange reserve RM'000 (Note 34)	Share option reserves RM'000 (Note 34)	RCUIDS reserves RM'000 (Note 34)	Warrants reserves RM'000 (Note 34)	Other reserves RM'000 (Note 34)	Retained earnings/ Non-distributable accumulated losses RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2020	3,341,974	8,023,268	(5,507,594)	171,137	-	-	-	147,067	1,664,452	4,498,330	(1,587,590)	2,910,740
Net loss for the financial year	-	-	-	-	-	-	-	-	(5,111,667)	(5,111,667)	(776,261)	(5,887,928)
Other comprehensive (loss)/income	-	-	-	(228,515)	-	-	-	(372,435)	-	(600,950)	8,344	(592,606)
Total comprehensive loss	-	-	-	(228,515)	-	-	-	(372,435)	(5,111,667)	(5,712,617)	(767,917)	(6,480,534)
At 31 December 2020	3,341,974	8,023,268	(5,507,594)	(57,378)	-	-	-	(225,368)	(3,447,215)	(1,214,287)	(2,355,507)	(3,569,794)

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

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**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**Statement of changes in equity**  
**For the financial year ended 31 December 2021**

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

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**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**Statement of changes in equity**  
**For the financial year ended 31 December 2021 (cont'd.)**

	<----- Non-distributable ----->					Distributable		
	Number of shares '000	Share capital RM'000 (Note 31)	Share option reserves RM'000 (Note 34)	RCUIDS reserves RM'000 (Note 34)	Warrants reserves RM'000 (Note 34)	Fair value reserve RM'000 (Note 34)	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2020</b>	3,341,974	8,023,268	-	-	-	60,345	867,123	8,950,736
Net loss for the financial year	-	-	-	-	-	-	(261,600)	(261,600)
Other comprehensive loss	-	-	-	-	-	(142,246)	-	(142,246)
Total comprehensive loss	-	-	-	-	-	(142,246)	(261,600)	(403,846)
<b>At 31 December 2020</b>	<b>3,341,974</b>	<b>8,023,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81,901)</b>	<b>605,523</b>	<b>8,546,890</b>

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



**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**Statements of cash flow**  
**For the financial year ended 31 December 2021**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>					
Loss before taxation		(3,575,036)	(5,551,299)	(63,848)	(257,139)
Adjustments for:					
Property, plant and equipment					
- Depreciation	11	164,685	150,920	-	-
- Gain on disposals	4(b)	(32,921)	(184,139)	-	-
- Write off	11	313	5,588	-	-
- Impairment	11	-	43,670	-	-
Right-of-use assets					
- Depreciation	29	1,655,887	1,922,078	-	-
- Impairment	29	-	552,290	-	-
Loss on recognition of finance lease receivables	29	41,187	-	-	-
Amortisation of intangible assets	16	975	282	-	-
Impairment/(reversal of impairment) on					
- trade and other receivables	6	3,081	397,959	-	-
- amounts due from associates	6	(4,883)	264,071	(269)	213,710
- amounts due from related parties	6	14,293	615,578	637	-
- investment in an associate	14	-	59,272	-	-
- finance lease receivables	29	2,856	90,035	-	-
- intangible assets	16	5,094	-	-	-
Share-based payments		5,968	-	38	-
Dividend income from:					
- investment securities	4(b)	-	(5,033)	-	(3,637)
Share of results of					
- joint ventures		453	693	-	-
- associates		44,750	62,822	-	-
Gain on disposal of investment in:					
- an associate	14	-	(152,912)	-	-
(Reversal)/provision for retirement benefits		(3,429)	16,209	-	-
Aircraft maintenance provisions	27	232,833	192,163	-	-
Net fair value (gain)/losses on derivatives	8(d)	(31,377)	141,953	-	-
Remeasurement gain on retained interest in a previous associate		-	(76,456)	-	-
Operating loss carried forward		(1,475,271)	(1,454,256)	(63,442)	(47,066)

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**Statements of cash flow**  
**For the financial year ended 31 December 2021 (cont'd.)**

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities (cont'd.)</b>					
Operating loss brought forward		(1,475,271)	(1,454,256)	(63,442)	(47,066)
Net unrealised foreign exchange loss/(gain)	8(c)	49,996	(436,255)	7,184	(2,300)
Interest expense	8(b)	179,763	135,440	1	2
Interest expense - Lease liabilities	8(b)	500,044	578,211	-	-
Interest income	8(a)	(19,171)	(65,176)	(40)	(298)
Interest income - Finance lease receivables	8(a)	(16,143)	(50,768)	-	-
		<u>(780,782)</u>	<u>(1,292,804)</u>	<u>(56,297)</u>	<u>(49,662)</u>
Changes in working capital:					
Inventories		(12,179)	6,969	-	-
Receivables and prepayments		9,933	192,932	(21)	2,706
Payables and provisions		(142,227)	250,994	471	5,371
Sales in advance		(2,897)	(234,200)	-	-
Amounts due from/to subsidiaries, associates, joint venture and related parties		<u>356,619</u>	<u>(1,016,999)</u>	<u>(908,788)</u>	<u>54,008</u>
Cash (used in)/generated from operations		(571,533)	(2,093,108)	(964,635)	12,423
Interest paid		(93,917)	(58,707)	-	(2)
Interest received		1,456	10,908	-	298
Taxes paid		(4,580)	(25,298)	(1,627)	(2,834)
Retirement benefits paid		(9,125)	(2,042)	-	-
<b>Net cash (used in)/generated from operating activities</b>		<u>(677,699)</u>	<u>(2,168,247)</u>	<u>(966,262)</u>	<u>9,885</u>
<b>Cash flows from investing activities</b>					
Property, plant and equipment					
- Additions		(47,804)	(94,686)	-	-
- Proceeds from disposals		81,209	277,313	-	-
Addition in intangible assets	16	(2,327)	(5,811)	-	-
<b>Net cash from investing activities carried forward</b>		<u>31,078</u>	<u>176,816</u>	<u>-</u>	<u>-</u>

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**Statements of cash flow**  
**For the financial year ended 31 December 2021 (cont'd.)**

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities (cont'd.)</b>					
Net cash from investing activities brought forward		31,078	176,816	-	-
Proceeds from disposal of:					
- an associate	14	-	152,912	-	-
- an investment security	15	239,979	-	239,979	-
Net changes:					
- Deposits pledged as securities and restricted cash		(11,440)	18,998	-	-
- Deposits with licensed banks with maturity period of more than 3 months		(9)	9,450	-	-
- Investment securities		49,587	(4,600)	-	(4,377)
Dividend received from:					
- investment securities	4(b)	-	3,637	-	3,637
Acquisition of:					
- subsidiaries net of cash acquired	12	(22,598)	-	-	-
Additional subscription of shares in:					
- subsidiaries	12	-	-	(322)	(49,412)
- a joint venture	13	-	(2,025)	-	-
Receipt of finance lease receivables		102,440	134,128	-	-
<b>Net cash generated from/ (used in) investing activities</b>		<b>389,037</b>	<b>489,316</b>	<b>239,657</b>	<b>(50,152)</b>

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**Statements of cash flow**  
**For the financial year ended 31 December 2021 (cont'd.)**

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from financing activities</b>					
Proceeds from issuance of shares		336,464	-	336,464	-
Proceeds from issuance of RCUIDS		974,513	-	974,513	-
Proceeds from borrowings		771,334	604,585	-	-
Repayment of borrowings		(565,102)	(136,867)	-	-
Payment of lease liabilities		(423,777)	(880,201)	-	-
Transaction costs on issuance of shares and RCUIDS		(23,084)	-	(23,084)	-
<b>Net cash generated from/(used in) financing activities</b>		<u>1,070,348</u>	<u>(412,483)</u>	<u>1,287,893</u>	<u>-</u>
<b>Net increase/(decrease) for the financial year</b>		781,686	(2,091,414)	561,288	(40,267)
<b>Currency translation differences</b>		(69,660)	65,043	(260)	-
<b>Cash and cash equivalents at beginning of the financial year</b>		<u>465,905</u>	<u>2,492,276</u>	<u>859</u>	<u>41,126</u>
<b>Cash and cash equivalents at end of the financial year</b>		<u>1,177,931</u>	<u>465,905</u>	<u>561,887</u>	<u>859</u>

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**Statements of cash flow**  
**For the financial year ended 31 December 2021 (cont'd.)**

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

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

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

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

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**Notes to the financial statements**  
**For the financial year ended 31 December 2021**

**1. General information**

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

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

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

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

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

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

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

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## **2. Summary of significant accounting policies**

### **2.1 Basis of preparation (cont'd.)**

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

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

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

The Group has also early adopted the Amendment to MFRS 16 *Leases* (COVID-19 Related Rent Concessions beyond 30 June 2021) issued by Malaysian Accounting Standards Board ("MASB") in April 2021, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 April 2021.



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## **2. Summary of significant accounting policies (cont'd.)**

### **2.2 Standards, amendments to published standards and interpretations that are effective (cont'd.)**

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

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

### **2.3 Standards issued but not yet effective**

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3 <i>Business Combinations</i> :	
Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment</i> :	
Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> : Onerous Contract –	
Cost of Fulfilling a Contract	1 January 2022

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## 2. Summary of significant accounting policies (cont'd.)

Description (cont'd.)	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> :	
Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> :	
Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> : Definition	
of Accounting Estimates	1 January 2023
Amendments to MFRS 112 <i>Income Taxes</i> : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investments in Associates and Joint Ventures</i> :	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

## 2.4 Basis of consolidation

### 2.4.1 Subsidiaries

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.4.1 Subsidiaries (cont'd.)**

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

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

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

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

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

#### **2.4.2 Transactions with non-controlling interests**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.4.3 Joint arrangements**

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

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

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

#### **2.4.4 Associates**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.4.4 Associates (cont'd.)**

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

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

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

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

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

#### **2.4.6 Internal reorganisation**

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

- (a) The results of entities are presented as if the internal reorganisation occurred from the beginning of the earliest period presented in the financial statements;
- (b) The Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the internal reorganisation that would otherwise be done under the acquisition method;

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.4.6 Internal reorganisation (cont'd.)**

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

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

### **2.5 Property, plant and equipment**

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

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

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**2. Summary of significant accounting policies (cont'd.)**

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

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

**Aircraft**

- engines, airframes and spare engines excluding service potential	25 years
- service potential of engines	8 years
- service potential of airframes	13 years
- service potential of spare engines	11 years

**Aircraft spares**

10 years

**Aircraft fixtures and fittings**

Useful life of aircraft or remaining lease term of aircraft, whichever is shorter

**Buildings**

28.75 years

**Motor vehicles**

5 years

**Office equipment, furniture and fittings**

5 years

**Office renovation**

5 years

**Simulator equipment**

25 years

**Operating plant and ground equipment**

5 years

**In-flight equipment**

5 years

**Training equipment**

5 years

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

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

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

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



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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

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

### **2.6 Intangible assets**

#### **2.6.1 Goodwill**

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.6.1 Goodwill (cont'd.)**

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

#### **2.6.2 Other intangible assets**

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

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

##### **(i) Research and development – internally developed software**

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

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

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

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

##### **(ii) Landing rights**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

### **2.8 Impairment of non-financial assets**

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

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

### **2.9 Maintenance and overhaul**

#### **Owned aircraft**

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

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## **2. Summary of significant accounting policies (cont'd.)**

### **2.9 Maintenance and overhaul (cont'd.)**

#### **Leased aircraft**

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

### **2.10 Leases**

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

#### **Group as a lessee**

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

#### **i) ROU assets**

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

Aircraft and spare engines	2 - 19 years
Land and building	2 - 20 years

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

### **2.10 Leases (cont'd.)**

#### **Group as a lessee (cont'd.)**

##### **ii) Lease liabilities**

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

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

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

### **2.10 Leases (cont'd.)**

#### **Group as a lessor**

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

#### **i) Finance leases**

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

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

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

#### **ii) Operating leases**

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

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

#### **iii) Sublease classification**

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

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## **2. Summary of significant accounting policies (cont'd.)**

### **2.10 Leases (cont'd.)**

#### **Group as a lessor (cont'd.)**

##### **iii) Sublease classification (cont'd.)**

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

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

#### **Sale and leaseback transactions**

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

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

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

### **2.11 Inventories**

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

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



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**2. Summary of significant accounting policies (cont'd.)**

**2.11 Inventories (cont'd.)**

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

**2.12 Financial assets**

**2.12.1 Classification**

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

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

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

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

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

**Amortised costs**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.12.2 Recognition and initial measurement**

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

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

#### **2.12.3 Subsequent measurement - gains and losses**

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

##### **(i) Amortised cost**

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

##### **(a) Debt instruments**

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

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

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

##### **(b) Equity investment**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

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

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

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

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

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

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

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

### **2.13 Financial liabilities**

#### **2.13.1 Classification and measurement**

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

### **2.13 Financial liabilities (cont'd.)**

#### **2.13.1 Classification and measurement (cont'd.)**

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

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

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

#### **2.14 Offsetting financial instruments**

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

#### **2.15 Derivatives and hedge accounting**

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

- (a) There is 'an economic relationship' between the hedged item and the hedging instrument.
- (b) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- (c) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

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

#### **Cash flow hedge**

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

### **2.16 Cash and cash equivalents**

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

### **2.17 Provisions**

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



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## **2. Summary of significant accounting policies (cont'd.)**

### **2.17 Provisions (cont'd.)**

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

### **2.18 Share capital**

#### **2.18.1 Classification**

Ordinary shares with discretionary dividends are classified as equity.

#### **2.18.2 Share issue costs**

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

#### **2.18.3 Dividends distribution**

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

### **2.19 Redeemable Convertible Unsecured Islamic Debt Securities**

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

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

### **2.20 Borrowings and borrowing costs**

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

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

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

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

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

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

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

### **2.21 Current and deferred income tax**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

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

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

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

### **2.22 Employee benefits**

#### **2.22.1 Short term employee benefits**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.22.2 Defined contribution retirement plan**

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

#### **2.22.3 Defined benefit plan**

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

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

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

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

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

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.22.4 Share-based payments**

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

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

#### **2.23 Revenue and other income**

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

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

- (a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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## **2. Summary of significant accounting policies (cont'd.)**

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

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

#### **2.23.1 Passenger revenue**

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

#### **2.23.2 Aircraft operating leases**

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

#### **2.23.3 Freight services**

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

#### **2.23.4 Rental income and brand license**

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

#### **2.23.5 Interest income**

Interest income is recognised using the effective interest method.

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.23.6 Sale of loyalty points (cont'd.)**

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

Included in trade and other payables is the deferred breakage. Breakage represents the estimated loyalty points that are not expected to be redeemed by members. The amount of revenue recognised related to deferred breakage is based on the number of loyalty points redeemed in a period in relation to the total number expected to be redeemed, which factors in the Group estimate for the breakage. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices.

### **2.24 Foreign currencies**

#### **2.24.1 Functional and presentation currency**

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

#### **2.24.2 Transactions and balances**

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

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## **2. Summary of significant accounting policies (cont'd.)**

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

#### **2.24.2 Transactions and balances (cont'd.)**

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

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

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

#### **2.24.3 Group companies**

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

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

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



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## **2. Summary of significant accounting policies (cont'd.)**

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

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

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

### **2.25 Trade payables**

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

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

### **2.26 Contingent assets and liabilities**

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

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## **2. Summary of significant accounting policies (cont'd.)**

### **2.26 Contingent assets and liabilities (cont'd.)**

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

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

### **2.27 Segment reporting**

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

### **2.28 Maintenance reserve funds**

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

## **3. Critical accounting estimates and judgements**

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

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

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### **3. Critical accounting estimates and judgements (cont'd.)**

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

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

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

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

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

#### **3.2 Impairment assessment of financial assets**

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

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

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### **3. Critical accounting estimates and judgements (cont'd.)**

#### **3.3 Deferred tax assets**

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

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

#### **3.4 Provision for aircraft maintenance and overhaul costs**

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

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

#### **3.5 Impairment assessment of intangible assets**

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

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

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**3. Critical accounting estimates and judgements (cont'd.)**

**3.5 Impairment assessment of intangible assets (cont'd.)**

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

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

The Group's and the Company's interests in subsidiaries, associates and joint ventures are tested for impairment by comparing the carrying amounts with the value in use. Estimating the value in use requires the Group and the Company to make an estimate of the expected future cash flows from the operation of the subsidiaries, the associates and the joint ventures, and to apply a suitable discount rate and growth rate in order to calculate the present value of those cash flows.

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

**4. Revenue and other income**

**(a) Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated*</b>		
Aviation				
- passenger seat sales	655,823	2,225,678	-	-
- other passenger revenue	252,840	550,839	-	-
- aircraft operating lease income	153,290	55,968	-	-
- other aviation revenue	2,145	3,554	-	-
Logistics and freight services	551,231	295,126	-	-
Online travel and e-commerce platform ("airasia Super App")	123,664	110,211	-	-

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**4. Revenue and other income (cont'd.)**

**(a) Revenue (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated*</b>		
Financial and other related services ("BigPay")	21,615	17,606	-	-
Others	75,578	15,417	-	-
	<u>1,836,186</u>	<u>3,274,399</u>	<u>-</u>	<u>-</u>

\* Certain revenue classification in prior had been restated to follow the current year classification. Further information is as disclosed in Note 41.

Other passenger revenue includes ancillary income such as baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sale of meals and merchandise.

Aircraft operating lease income

The details of the operating lease income are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Thai AirAsia Co. Ltd	124,989	7,369	-	-
Third-parties	28,301	48,599	-	-
	<u>153,290</u>	<u>55,968</u>	<u>-</u>	<u>-</u>

Revenue by reportable geographical segment is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	993,422	2,171,811	-	-
Philippines	195,957	560,318	-	-
Indonesia	212,333	477,556	-	-
Others	434,474	64,714	-	-
	<u>1,836,186</u>	<u>3,274,399</u>	<u>-</u>	<u>-</u>

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**4. Revenue and other income (cont'd.)**

**(b) Other income**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated*</b>		
Gain on disposal of property, plant and equipment	32,921	184,139	-	-
Fees charged to associates providing commercial air transport services	-	29,807	-	-
Fees charged to related parties providing commercial air transport services	-	7,679	-	-
Dividend income from investment securities	-	5,033	-	3,637
Others	78,783	116,060	92	137
	<u>111,704</u>	<u>342,718</u>	<u>92</u>	<u>3,774</u>

\* Certain other income classification in prior had been restated to follow the current year classification. Further information is as disclosed in Note 41.

Other income ("others") includes commission income and advertising income.

**5. Staff costs and directors' remuneration**

**(a) Staff costs**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Salaries, bonus, allowances and other employee benefits	736,118	1,062,431	32,036	12,893
Defined contribution retirement plan	59,520	103,750	3,811	1,202
	<u>795,638</u>	<u>1,166,181</u>	<u>35,847</u>	<u>14,095</u>

Included in staff costs are Executive Directors' remuneration for the Group and the Company as disclosed in the Note 5(b) below.

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**5. Staff costs and directors' remuneration (cont'd.)**

**(b) Directors' remuneration**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Executive Directors				
- salaries, bonus, allowances and other employee benefits	29,124	9,787	29,124	9,787
- defined contribution plan	3,495	1,174	3,495	1,174
	<u>32,619</u>	<u>10,961</u>	<u>32,619</u>	<u>10,961</u>
Non-Executive Directors				
- fees	967	1,463	700	1,437
	<u>33,586</u>	<u>12,424</u>	<u>33,319</u>	<u>12,398</u>

The remuneration payable to the Directors of the Company is analysed as follows:

	<b>Executive</b>		<b>Non-executive</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Range of remuneration (RM)				
0 to 50,000	-	-	-	-
150,001 to 200,000	-	-	1	1
200,001 to 250,000	-	-	1	-
250,001 to 300,000	-	-	2	-
301,000 to 350,000	-	-	-	4
400,001 to 450,000	-	-	-	-
450,001 to 500,000	-	-	-	-
500,001 to 550,000	-	-	-	-
4,950,001 to 5,000,000	-	-	-	-
5,400,001 to 5,450,000	-	1	-	-
5,500,001 to 15,550,000	-	1	-	-
15,550,001 to 15,600,000	-	-	-	-
15,700,001 to 15,750,000	1	-	-	-
15,850,001 to 15,900,000	-	-	-	-
16,850,001 to 16,900,000	1	-	-	-
18,950,001 to 19,000,000	-	-	-	-
19,350,001 to 19,400,000	-	-	-	-



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**5. Staff costs and directors' remuneration (cont'd.)**

**(c) Key Management Personnel**

Key management personnel are categorised as senior management officers of the Group and the Company.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Salaries, bonus, allowances and other employee benefits	34,376	13,486	29,124	9,787
Defined contribution plan	4,036	1,532	3,495	1,174
	<u>38,412</u>	<u>15,018</u>	<u>32,619</u>	<u>10,961</u>

Included in the key management compensation are Executive Directors' remuneration for the years 2021 and 2020 which were approved by the Nomination and Remuneration Committee during the current year.

**6. Other operating expenses**

The following items have been charged/(credited) in arriving at other operating expenses:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment of:				
- Property, plant and equipment (Note 11)	-	43,670	-	-
- Investment in associates (Note 14)	-	59,272	-	-
- Intangible assets (Note 16)	5,094	-	-	-
- Trade receivables (Note 18)	2,975	53,539	-	-
- Other receivables (Note 18)	106	344,420	-	-
- Amount due from associates (Note 23)	15	264,071	-	213,710
- Amount due from related parties (Note 24)	14,293	615,578	637	-

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**6. Other operating expenses (cont'd.)**

The following items have been charged/(credited) in arriving at other operating expenses:  
(cont'd.)

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment of: (cont'd.)				
- Right-of-use assets (Note 29)	-	552,290	-	-
- Finance lease receivables (Note 29)	2,856	90,035	-	-
Reversal of impairment of amount due from associate (Note 23)	(4,898)	-	(269)	-
Reversal of impairment of amount due from related parties (Note 24)	-	(390)	-	-
Reversal of impairment of trade and other receivables (Note 18)	-	(6,218)	-	-
Rental of buildings	10,914	13,020	-	-
Auditors' remuneration				
- audit fees	2,556	2,648	200	200
- non-audit fees	75	90	-	-
Rental of equipment	278	1,341	-	-
Advertising costs	15,928	47,341	133	40

**7. Aircraft fuel expenses, maintenance and overhaul and user charges**

**(a) Aircraft fuel expenses**

Aircraft fuel expenses include fuel used by aircraft and fuel swap gain/losses. During the current financial year, arising from the COVID-19 pandemic, the Group suffered fuel swap losses of RM30 million (2020: RM972 million)

**(b) Maintenance and overhaul**

Maintenance and overhaul include maintenance related works on aircraft, the related consumables and aircraft maintenance provision.

**(c) User charges**

User charges include airport related charges, ground operational charges, aircraft insurance cost and inflight related expenses.

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**8. Finance income/(costs), foreign exchange (loss)/gains and net fair value gains/(losses) on derivatives**

**(a) Finance income**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income from:				
- deposits, cash and bank balances with licensed banks	1,169	9,585	24	298
- amounts due from associates	12,851	29,018	-	-
- finance lease receivables	16,143	50,768	-	-
Impact of discounting effect on financial instruments	4,760	25,249	-	-
Others	391	1,324	16	-
	<u>35,314</u>	<u>115,944</u>	<u>40</u>	<u>298</u>

**(b) Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense				
- bank borrowings	(101,584)	(53,883)	-	-
- lease liabilities	(500,044)	(578,211)	-	-
Impact of discounting effect on financial instruments	(70,101)	(75,521)	-	-
Others	(8,078)	(6,036)	(1)	(2)
	<u>(679,807)</u>	<u>(713,651)</u>	<u>(1)</u>	<u>(2)</u>

**(c) Foreign exchange (loss)/gains**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised	(21,088)	8,508	1,998	(1,767)
Unrealised	(49,996)	436,255	(7,184)	2,300
	<u>(71,084)</u>	<u>444,763</u>	<u>(5,186)</u>	<u>533</u>

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**8. Finance income/(costs), foreign exchange (loss)/gains and net fair value gains/(losses) on derivatives (cont'd.)**

**(d) Net fair value gains/(losses) on derivatives**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fair value losses from foreign currency hedging contracts	-	(152,716)	-	-
Fair value gains/(losses) from interest rate hedging contracts	31,377	(56,753)	-	-
Net gain on termination and unwinding of hedges	-	67,516	-	-
	<u>31,377</u>	<u>(141,953)</u>	<u>-</u>	<u>-</u>

Fair value change of derivatives consists of fair value changes due to movement in mark-to-market ("MTM") position on outstanding hedging contracts that did not qualify for hedge accounting.

**9. Taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current taxation				
- Malaysian tax	4,143	15,198	(150)	4,461
- foreign tax	831	2,605	-	-
Deferred taxation (Note 17)	140,765	318,826	-	-
	<u>145,739</u>	<u>336,629</u>	<u>(150)</u>	<u>4,461</u>
Current taxation				
- current financial year	1,884	11,872	-	150
- under/(over)provision of income tax in respect of previous years	3,090	5,931	(150)	4,311
	<u>4,974</u>	<u>17,803</u>	<u>(150)</u>	<u>4,461</u>

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**9. Taxation (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deferred taxation				
- origination and reversal of temporary differences	97,007	398,318	-	-
- under/(over)provision of deferred tax in respect of previous years	43,758	(79,492)	-	-
	<u>140,765</u>	<u>318,826</u>	<u>-</u>	<u>-</u>
	<u>145,739</u>	<u>336,629</u>	<u>(150)</u>	<u>4,461</u>

The explanation of the relationship between taxation and loss before taxation is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loss before taxation	<u>(3,575,036)</u>	<u>(5,551,299)</u>	<u>(63,848)</u>	<u>(257,139)</u>
Tax calculated at Malaysian tax rate of 24% (2020: 24%)	(858,009)	(1,332,312)	(15,324)	(61,713)
Tax effects of:				
- expenses not deductible for tax purposes	399,609	313,582	15,324	62,736
- income not subject to tax	(8,706)	(91,679)	-	(873)
- associates' results reported net of tax	(8,394)	(15,077)	-	-
- joint venture's result reported net of tax	(109)	(166)	-	-
- underprovision of income tax in respect of previous years	3,090	5,931	(150)	4,311
- deferred tax assets not recognised	574,500	1,535,842	-	-
- under/(over)provision of deferred tax in respect of previous years	43,758	(79,492)	-	-
Taxation	<u>145,739</u>	<u>336,629</u>	<u>(150)</u>	<u>4,461</u>

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**10. Loss per share**

**Basic loss per share**

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

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Net loss for the financial year attributable to owners of the Company (RM'000)	(2,991,075)	(5,111,667)
Weighted average number of ordinary shares in issue ('000)	3,785,670	3,341,974
Basic loss per share (sen)	<u>(79.0)</u>	<u>(153.0)</u>

**Diluted earnings per share**

The calculation of diluted loss per ordinary share at 31 December 2021 was based on loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

No diluted loss per ordinary share is disclosed as there are no dilutive potential ordinary shares.

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**11. Property, plant and equipment**

	At 1 January 2021 RM'000	Additions <sup>2</sup> RM'000	Acquisition of subsidiaries RM'000	Disposals RM'000	Write off RM'000	Reclassi- fication <sup>1</sup> RM'000	Depreciation charge RM'000	Impairment loss RM'000	Exchange differences RM'000	At 31 December 2021 RM'000
<b>Group</b>										
<b>Carrying amount</b>										
Aircraft engines, airframes and service potential	244,887	13,750	-	(33,331)	-	-	(33,473)	-	22,742	214,575
Aircraft spares	173,195	7,824	-	(2)	-	-	(38,094)	-	4,109	147,032
Aircraft fixtures and fittings	45,802	121	-	(8,689)	-	-	(16,425)	-	(13,778)	7,031
Freehold land	50,659	-	-	-	-	-	-	-	(1,227)	49,432
Buildings	300,563	2,450	-	(1,633)	-	39	(11,674)	-	(178)	289,567
Motor vehicles	7,883	851	-	(95)	-	-	(2,997)	-	(384)	5,258
Office equipment, furniture and fittings	76,129	16,618	1,107	(883)	(66)	-	(45,750)	-	(425)	46,730
Office renovation	22,505	865	1,326	(3,341)	(228)	-	(9,896)	-	2,716	13,947
Simulator equipment	264	-	-	-	-	-	(39)	-	-	225
Operating plant and ground equipment	15,751	5,296	-	(314)	-	-	(5,875)	-	(2,504)	12,354
In-flight equipment	1,260	-	-	-	-	-	(462)	-	-	798
Training equipment	1	-	-	-	-	-	-	-	-	1
Work in progress <sup>1</sup>	146,740	29	-	-	(19)	(39)	-	-	(187)	146,524
	<b>1,085,639</b>	<b>47,804</b>	<b>2,433</b>	<b>(48,288)</b>	<b>(313)</b>	<b>-</b>	<b>(164,685)</b>	<b>-</b>	<b>10,884</b>	<b>933,474</b>

<sup>1</sup> Work in progress completed during the financial year were reclassified to respective asset classes.

<sup>2</sup> Included in additions during the year is engine that was released from lien from a maintenance engine service provider and accordingly recognised as assets based on the residual value of the aircraft engine measured at estimated cost less its depreciation.

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**11. Property, plant and equipment (cont'd.)**

	<b>Cost</b> <b>RM'000</b>	<b>Accumulated</b> <b>depreciation</b> <b>RM'000</b>	<b>Accumulated</b> <b>impairment</b> <b>loss</b> <b>RM'000</b>	<b>Carrying</b> <b>amount</b> <b>RM'000</b>
<b>Group (cont'd.)</b>				
<b>At 31 December 2021</b>				
Aircraft engines, airframes and service potential	436,708	(213,301)	(8,832)	214,575
Aircraft spares	292,831	(119,474)	(26,325)	147,032
Aircraft fixtures and fittings	145,989	(130,445)	(8,513)	7,031
Freehold land	49,432	-	-	49,432
Buildings	332,142	(42,575)	-	289,567
Motor vehicles	25,533	(20,275)	-	5,258
Office equipment, furniture and fittings	280,850	(209,180)	(24,940)	46,730
Office renovation	67,099	(53,152)	-	13,947
Simulator equipment	323	(98)	-	225
Operating plant and ground equipment	39,996	(27,642)	-	12,354
In-flight equipment	5,082	(4,284)	-	798
Training equipment	5,210	(5,209)	-	1
Work in progress	146,524	-	-	146,524
	<b>1,827,719</b>	<b>(825,635)</b>	<b>(68,610)</b>	<b>933,474</b>



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**11. Property, plant and equipment (cont'd.)**

	At 1 January 2020 RM'000	Additions <sup>2</sup> RM'000	Disposals RM'000	Write off RM'000	Reclassi- fication <sup>1</sup> RM'000	Depreciation charge RM'000	Impairment loss RM'000	Exchange differences RM'000	At 31 December 2020 RM'000
<b>Group (cont'd.)</b>									
<b>Carrying amount</b>									
Aircraft engines, airframes and service potential	292,748	230,577	(236,378)	-	-	(28,362)	(8,832)	(4,866)	244,887
Aircraft spares	228,626	15,280	(7,344)	-	-	(36,997)	(26,325)	(45)	173,195
Aircraft fixtures and fittings	65,212	15,342	(2,311)	-	-	(24,023)	(8,513)	95	45,802
Freehold land	51,263	1,591	-	-	-	-	-	(2,195)	50,659
Buildings	265,451	3,227	-	-	47,921	(11,567)	-	(4,469)	300,563
Motor vehicles	9,145	4,102	(1,753)	-	-	(3,785)	-	174	7,883
Office equipment, furniture and fittings	82,767	38,896	(7,982)	(5,588)	50	(32,075)	-	61	76,129
Office renovation	22,766	8,186	(612)	-	199	(8,323)	-	289	22,505
Simulator equipment	634	-	(361)	-	-	(9)	-	-	264
Operating plant and ground equipment	13,429	11,761	(4,329)	-	-	(5,303)	-	193	15,751
In-flight equipment	1,650	76	-	-	-	(476)	-	10	1,260
Training equipment	1	-	-	-	-	-	-	-	1
Work in progress <sup>1</sup>	167,884	26,908	-	-	(48,170)	-	-	118	146,740
	<b>1,201,576</b>	<b>355,946</b>	<b>(261,070)</b>	<b>(5,588)</b>	<b>-</b>	<b>(150,920)</b>	<b>(43,670)</b>	<b>(10,635)</b>	<b>1,085,639</b>

<sup>1</sup> Work in progress completed during the financial year were reclassified to respective asset classes.

<sup>2</sup> Included in additions during the year are engines that were released from lien from a maintenance engine service provider and accordingly recognised as assets based on the residual value of the aircraft engine measured at estimated cost less its depreciation.

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**11. Property, plant and equipment (cont'd.)**

	<b>Cost</b> <b>RM'000</b>	<b>Accumulated</b> <b>depreciation</b> <b>RM'000</b>	<b>Accumulated</b> <b>impairment</b> <b>loss</b> <b>RM'000</b>	<b>Carrying</b> <b>amount</b> <b>RM'000</b>
<b>Group (cont'd.)</b>				
<b>At 31 December 2020</b>				
Aircraft engines, airframes and service potential	386,496	(132,777)	(8,832)	244,887
Aircraft spares	496,947	(297,427)	(26,325)	173,195
Aircraft fixtures and fittings	207,142	(152,827)	(8,513)	45,802
Freehold land	50,659	-	-	50,659
Buildings	334,074	(33,511)	-	300,563
Motor vehicles	27,049	(19,166)	-	7,883
Office equipment, furniture and fittings	291,980	(190,911)	(24,940)	76,129
Office renovation	69,823	(47,318)	-	22,505
Simulator equipment	353	(89)	-	264
Operating plant and ground equipment	37,815	(22,064)	-	15,751
In-flight equipment	4,908	(3,648)	-	1,260
Training equipment	4,419	(4,418)	-	1
Work in progress	146,740	-	-	146,740
	<b>2,058,405</b>	<b>(904,156)</b>	<b>(68,610)</b>	<b>1,085,639</b>

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**11. Property, plant and equipment (cont'd.)**

Included in property, plant and equipment of the Group are assets with the following:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Aircraft pledged as security for borrowings	97,524	134,681
Freehold land and building pledged as security for borrowings	145,905	154,105
Total property, plant and equipment sub-leased to associates or pledged as security for borrowings	<u>243,429</u>	<u>288,786</u>

The beneficial ownership and operational control of aircraft pledged as security for borrowings rests with the Group when the aircraft is delivered to the Group.

Where the legal title to the aircraft is held by financiers during delivery, the legal title will be transferred to the Group only upon settlement of the respective facilities.

The freehold land and certain buildings of the Group with net carrying amount of RM49.2 million and RM96.7 million respectively (2020: RM50.6 million and RM103.4 million) have been pledged as security for borrowings granted to the Group.

**12. Investment in subsidiaries**

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted investments, at cost</b>		
At 1 January	8,295,541	8,258,716
Additions during the year	243,094	49,412
Derecognition	-	(12,587)
Deemed investment	6,006	-
At 31 December	<u>8,544,641</u>	<u>8,295,541</u>

**Additional investments during the financial year ended 31 December 2021**

- (a) During the year, the Company acquired Santan Restaurant Sdn Bhd ("STR") from Santan Food Sdn Bhd ("STF") for a total consideration amounting to RM322,000 in exchange for 3,000,002 ordinary shares of RM1 per share.
- (b) During the year, the Company capitalised RM242.8 million due from Asia Digital Engineering Sdn Bhd ("ADE") in return for 242.8 million ordinary shares of RM1 per share issued by ADE to the Company.

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**12. Investment in subsidiaries (cont'd.)**

**Additional investments during the financial year ended 31 December 2021 (cont'd.)**

- (c) During the year, the Company incorporated AirAsia Consulting Sdn Bhd with 1 ordinary share of RM1 per share.
- (d) During the year, the Company incorporated AirAsia Data Holdings Inc ("ADH") with 2 ordinary shares at USD100 per share.
- (e) During the current financial year, the Company issued ESOS as disclosed in Note 32 to the employees of the Company and its subsidiaries. The ESOS issued to the employees of the subsidiaries is a deemed investment in these subsidiaries which had paid the employees in lieu of their services in shares of the Company.

**Additional investments in prior year**

- (a) In previous year, AirAsia Aviation Group Limited (formerly known as AirAsia Investment Limited) ("AAAGL") transferred 1 million ordinary shares of AirAsia (Guangzhou) Aviation Service Limited ("AGZ") at USD1 each to AAGB with a consideration amounting to USD1 million (equivalent to RM4.2 million).
- (b) In the previous year, the Company capitalised RM7.2 million due from Asia Digital Engineering Sdn Bhd ("ADE") in return of 7.2 million shares at RM1 per share issued by ADE to the Company.
- (c) In the previous year, AirAsia Digital Sdn Bhd ("AAD") (formerly known as RedBeat Ventures Sdn Bhd) capitalised RM38 million owed by issuing 38 million shares at RM1 per share to the Company.

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Directly held by the Company				
AirAsia Berhad ("AAB")	Malaysia	100	100	Commercial air transport services
AAD	Malaysia	100	100	Investment holding
AirAsia SEA Ltd <sup>+</sup>	Thailand	100	99.99	Management services

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Directly held by the Company (cont'd.)				
AirAsia Aviation Group Limited (“AAAGL”) (formerly known as AirAsia Aviation Ltd and AirAsia Investment Ltd)	Malaysia	100	100	Investment holding
AGZ	China	100	100*	Aviation and commercial services
ADE	Malaysia	100	100	Providing engineering services
ACS	Malaysia	100	-	Providing consulting services
ADH	British Virgin Islands	100	-	Investment holding
STR	Malaysia	100*	-	Food and beverages
Santan Restaurant Ltd	United Kingdom	100*	-	Food and beverages
Held by AAB				
AirAsia Go Holiday Sdn Bhd (“AGH”)	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited <sup>f</sup>	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co Ltd

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by AAB (cont'd.)				
AirAsia Corporate Services Limited <sup>f</sup>	Malaysia	100	100	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
AirAsia Drone Sdn Bhd (formerly known as RedBeat Tech Academy Sdn Bhd	Malaysia	100	100	Investment holding
AirAsia SEA Sdn Bhd	Malaysia	100	100	To provide shared services and outsourcing for its affiliates
Asia Aviation Capital Limited ("AAC")	Malaysia	100	100	Providing aircraft leasing facilities
MadCience Consulting Sdn Bhd	Malaysia	100	100	Provision of central depository services for its affiliates
AirAsia Technology Centre India Private Limited ("AATCIPL")	India	100	100	Consultancy and services in the areas of information, technology design, development and implementation
AirAsia Corporate Charter Sdn Bhd	Malaysia	-	100	Liquidated on 29 July 2021
AirAsia Pte Ltd ("AAPL") <sup>+</sup>	Singapore	-	100	Liquidated on 13 August 2021

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by AAD				
BIGLIFE Sdn Bhd ("BIG")	Malaysia	-*	80	Financial services and managing customer loyalty points
Big Pay Pte Ltd (BPPL) <sup>+</sup>	Singapore	99.56	89.29	Investment holding
Santan Food Sdn Bhd (STF)	Malaysia	-*	100	Trading in coffee and tea related products
RedTix Sdn Bhd ("RedTix") <sup>f</sup>	Malaysia	75	75	Event ticketing business
RedBeat Ventures Inc	United States	100	100	Dormant
RedBeat Capital 1, LLC	United States	100	100	Dormant
Teleport Everywhere Pte Ltd ("TES") <sup>+</sup>	Singapore	92.66	100	Investment holding
AirAsia Com Travel Sdn Bhd ("AA.Com")	Malaysia	-*	100	Tour and travel services
AirAsia Technology Centre Singapore Pte Ltd	Singapore	100	100	Research and experimental development on IT, development of software for cybersecurity
RedBeat Capital Fund 1, LP	United States	100	100	Dormant
RedBeat Academy Sdn Bhd	Malaysia	100	100	Provision of media content services

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by AAD (cont'd.)				
BigPay Holdings Sdn Bhd	Malaysia	100	100	Investment holding
AAD Data Sdn Bhd	Malaysia	100	-	Special purpose vehicle for loan transaction
AirAsia SuperApp Sdn Bhd (formerly known as AirAsia Ads Sdn Bhd) ("Superapp")	Malaysia	96.19*	-	Investment holding
Ikhlas Com Travel Sdn Bhd	Malaysia	60*	-	Inflight magazine content
Held by AAAGL				
AirAsia Inc ("PAA") <sup>f</sup>	Philippines	40	40	Commercial air transport services
PT AirAsia Indonesia TBK ("AAID") <sup>+ ^</sup>	Indonesia	49	49.3	Investment holding
Held by PAA				
Philippines AirAsia Inc ("PAAI") <sup>f</sup>	Philippines	39.5	39.5	Commercial air transport services
Asiawide Airways Inc <sup>f</sup>	Philippines	40	40	Dormant
Held by AAID				
PT Indonesia AirAsia ("IAA") <sup>+</sup>	Indonesia	49.1	49.1	Commercial air transport services



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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by IAA				
PT Garda Tawang Reksa Indonesia ("GTRI") <sup>f</sup>	Indonesia	32.9	32.9	Provision of airport related services
Held by SuperApp				
AirAsia Com Travel Sdn Bhd ("AA.Com")	Malaysia	96.19*	-	Tour and travel services
AirAsia Duty Free Sdn Bhd (formerly known as Shop365 Sdn Bhd)	Malaysia	96.19*	-	Inflight shop
AirAsia Ride Sdn Bhd	Malaysia	96.19*	-	E-hailing services
Santan Food Sdn Bhd	Malaysia	96.19*	-	Trading in coffee and tea related products
BIGLIFE Sdn Bhd ("BIG")	Malaysia	96.19*	-	Financial services and managing customer loyalty points
Velox Technology (Thailand) Company Limited	Thailand	96.19	-	Operation of AirAsia Superapp
Held by Santan Food Sdn Bhd				
Santan Restaurant Sdn Bhd	Malaysia	-*	100	Food and beverages
Santan Kitchen Sdn Bhd	Malaysia	96.19	100	Provision of inflight meal products

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by Santan Food Sdn Bhd (cont'd.)				
Ourfarm Asia Sdn Bhd ("Ourfarm")	Malaysia	96.19	100*	Wholesale of meat, fish, fruits, vegetables, flowers and plants
Santan Restaurant Ltd	United Kingdom	-*	100	Food and beverages
Held by AAC				
Asia Aviation Capital Pte. Ltd. ("AACPL") <sup>+</sup>	Singapore	100	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	Labuan	100	100	Providing supporting services to air transport
Held by AACPL				
Asia Aviation Capital Ireland Limited ("AACIL") <sup>+</sup>	Ireland	100	100	Providing supporting services to air transport
AAC3 Pte Ltd ("AAC3") <sup>+</sup>	Singapore	100	100	Dormant
AAC4 Pte Ltd ("AAC4") <sup>+</sup>	Singapore	100	100	Dormant
Held by AACIL				
Clifden Aviation 1 Limited ("CA1")	Ireland	100	100	Process of dissolution
Clifden Aviation 2 Limited ("CA2")	Ireland	100	100	Process of dissolution

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by AACIL (cont'd.)				
Clifden Aviation 3 Limited ("CA3")	Ireland	100	100	Process of dissolution
Clifden Aviation 4 Limited ("CA4")	Ireland	100	100	Process of dissolution
Held by BIG				
BIGLIFE Digital Singapore Pte Ltd <sup>f</sup>	Singapore	96.19	80	Marketing and distribution of loyalty programme
BIGLIFE (Thailand) Co Ltd	Thailand	47.13	39	Marketing and distribution of loyalty programme
PT BIGLIFE Digital Indonesia	Indonesia	96.19	80	Marketing and distribution of loyalty programme
BIGLIFE Hong Kong Co Ltd <sup>f</sup>	Hong Kong	96.19	80	Dormant
BIGLIFE India Pvt Ltd	India	96.19	80	Marketing and distribution of loyalty programme
BIGLIFE Guangzhou Co Ltd <sup>f</sup>	China	96.19	80	Marketing and distribution of loyalty programme
BIGLIFE Philippines Inc <sup>f</sup>	Philippines	96.19	80	Marketing and distribution of loyalty programme

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by BIG (cont'd.)				
BIGLIFE Digital Sdn Bhd	Malaysia	96.19	80	Dormant
BIGLIFE Japan Co., Ltd <sup>f</sup>	Japan	96.19	80	Marketing and distribution of loyalty programme
BIGLIFE Vietnam Inc <sup>f</sup>	Vietnam	96.19	80	Marketing and distribution of loyalty programme
Held by BPPL				
BigPay Malaysia Sdn Bhd ("BigPay")	Malaysia	99.56	89.29	Provision of financial and other related services
BigPay Singapore Pte Ltd <sup>+</sup>	Singapore	99.56	89.29	Provision of financial services including but not limited to e-money products
BigPay (Thailand) Ltd <sup>+</sup>	Thailand	99.56	89.29	Provision of financial and other related services
BigPay Later Sdn Bhd	Malaysia	99.56	89.29	Provision of other financial service activities
BPB Technologies Sdn Bhd	Malaysia	99.56	-	Technology and platform service activities
BigPay Capital Sdn Bhd	Malaysia	99.56	-	Investment holding

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by Redtix				
Rokki Media Holdings Sdn Bhd	Malaysia	75	75	Dormant
Held by TES				
Teleport Commerce Malaysia Sdn Bhd ("TCM")	Malaysia	92.66	100	Logistics business
Teleport Commerce In Private Limited	India	62.08	67	Logistics business
PT Teleportasi Bisnis Indonesia	Indonesia	62.08	67	Logistics business
Freightchains Technologies Pte Ltd <sup>+</sup>	Singapore	74.13	80	Research and development arm of TCM
Delivereat Sdn Bhd	Malaysia	92.66	-	Online food ordering and delivery services
Teleport Holdings Sdn Bhd	Malaysia	92.66	-	Investment management, cargo, logistics and delivery services
Held by TCM				
Teleport Platform Sdn Bhd ("TPSB")	Malaysia	92.66	100	Facilitation of logistics and payment services for cross border e-commerce
Freightchains Technologies Pte Ltd <sup>+</sup>	Singapore	9.27	20	Research and development arm of TCM

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by TPSB				
Teleport Platforms Pte Ltd <sup>+</sup>	Singapore	92.66	100*	Online retail sales
Held by AA.Com				
Ikhlas Com Travel Sdn Bhd	Malaysia	-*	100	Inflight magazine content
AirAsia Duty Free Sdn Bhd (formerly known as Shop365 Sdn Bhd)	Malaysia	-*	100	Inflight shop
Rokki Sdn Bhd ("Rokki")	Malaysia	96.19	100*	Trading of multimedia content and equipment
PT AirAsia Com Indonesia	Indonesia	96.19	100	Tour and travel services
AA Com Travel Philippines Inc	Philippines	96.19	100	Tour and travel services
AirAsia Com Travel (Thailand) Ltd	Thailand	96.19	100	Tour and travel services
AirAsia Com (Singapore) Pte Ltd	Singapore	96.19	100	Tour and travel services
AACOM Australia Pty Ltd	Australia	96.19	100	Tour and travel services
AirAsia Superapp Sdn Bhd (formerly known as AirAsia Ads Sdn Bhd)	Malaysia	-*	100	Investment holding
AirAsia Com (Hong Kong) Ltd	Hong Kong	96.19	100	Tour and travel services

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**12. Investment in subsidiaries (cont'd.)**

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by AirAsia Com (Hong Kong) Ltd				
AirAsia Com Guangzhou Co. Ltd	China	96.19	100	Tour and travel services

<sup>+</sup> Audited by a member of Ernst & Young Global.

<sup>f</sup> Audited by a firm other than Ernst & Young.

<sup>^</sup> Listed on the Indonesia Stock Exchange.

<sup>\*</sup> Transferred within the Group.

**Incorporation of subsidiaries during the financial year ended 31 December 2021**

During the year, the Group incorporated the following subsidiaries for a total paid up ordinary share capital of RM600,839:

	<b>2021 RM</b>
AirAsia Consulting Sdn Bhd	1
AirAsia Data Holdings Inc	834
AAD Data Sdn Bhd	2
AirAsia Ride Sdn Bhd	100,000
BPB Technologies Sdn Bhd	1
BigPay Capital Sdn Bhd	500,000
Teleport Holdings Sdn Bhd	1
	<u>600,839</u>

**Acquisition of subsidiaries during the financial year ended 31 December 2021**

(a) On 7 July 2021, the Company announced that its subsidiaries, AirAsia SuperApp Sdn Bhd and AirAsia Digital Sdn Bhd ("AAD") will acquire 100% equity interest in Velox Technology (Thailand) Co Ltd. and Velox Fintech Co. Ltd for a purchase consideration of USD40 million and USD10 million respectively. The above shall be satisfied by issuance of 3.81% and 0.95% respectively of shares in AirAsia Super App Sdn Bhd. On 27 July 2021, the acquisition of Velox Technology (Thailand) Co Ltd. had been completed. The acquisition resulted in a provisional goodwill of RM160.7 million (subject to purchase price allocation exercise to be completed within 12 months from the date of acquisition). On 7 October 2021, AAD terminated the proposed acquisition of Velox Fintech Co. Ltd.

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**12. Investment in subsidiaries (cont'd.)**

**Acquisition of subsidiaries during the financial year ended 31 December 2021 (cont'd.)**

- (b) On 18 August 2021, TES, a subsidiary of AAD signed an agreement to acquire 100% of the equity interest in Deliverat Sdn Bhd, a local Malaysia food delivery platform, valued at RM40.9 million. The said acquisition was completed on 4 November 2021. A provisional goodwill of RM30.5 million (subject to purchase price allocation exercise to be completed within 12 months from the date of acquisition) was recognised.

Details of the assets, liabilities and net cashflow arising from the acquisitions are as follows:

	<b>Fair value recognised on acquisition RM'000</b>	<b>Carrying amount RM'000</b>
<b>Assets</b>		
Property, plant and equipment (Note 11)	2,433	2,433
Intangible assets (Note 16)	5,714	5,714
Cash and bank balances	27,154	27,154
Receivables and prepayments	8,823	8,823
<b>Total assets</b>	<b>44,124</b>	<b>44,124</b>
<b>Liabilities</b>		
Payables	4,196	4,196
Sales in advance	31	31
<b>Total liabilities</b>	<b>4,227</b>	<b>4,227</b>
Fair value of net identifiable assets		39,897
Goodwill on acquisition (Note 16)		191,207
Purchase consideration transferred		<b>231,104</b>
<b>Purchase consideration</b>		<b>Group RM'000</b>
Shares of subsidiaries issued, at fair value		181,352
Cash paid		49,752
<b>Total consideration</b>		<b>231,104</b>
<b>Analysis of cash flows on acquisition:</b>		
Net cash acquired with the subsidiaries		27,154
Cash paid		(49,752)
Net cash flow on acquisition		<b>(22,598)</b>



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**12. Investment in subsidiaries (cont'd.)**

**Accretion of additional interest in a subsidiary**

On 21 June 2021, the Company acquired the remaining 20% equity interest in BIGLIFE Sdn Bhd from Aimia Holdings UK II Limited for RM103 million (approximately USD25 million) to be satisfied by the issuance of 85,864,583 ordinary shares in the Company allotted at an issue price of RM1.20 per share. Following the acquisition, BIGLIFE Sdn Bhd became a wholly owned subsidiary of the Group. The effect of the acquisition is reflected in the statement of changes in equity.

	<b>Group RM'000</b>
Non-controlling interest measured at cost	5,653
Purchase consideration satisfied via issuance of shares of the Company	103,038
Loss on accretion of interest in a subsidiary recognised statement of changes in equity	<u>108,691</u>

**Dilution of interest in subsidiaries**

(a) On 26 July 2021, the Company allotted additional shares of 1,200,000 to Ikhlas Kamarudin as partial settlement of its investment in mobile applications and website development costs in Ikhlas Com Travel I Sdn Bhd of RM1.2 million. Arising from the allotment of shares, the Company diluted its shareholding from 100% to 60%. The effect of the dilution of RM1.2 million is as disclosed in the statement of changes in equity.

(b) On 18 August 2021, Teleport, a subsidiary of AAD signed an agreement to acquire 100% of the equity interest in Deliverat Sdn Bhd, a local Malaysia food delivery platform, valued at USD9.8 million (equivalent to RM41 million). The said acquisition was completed on 4 November 2021 satisfied by issuance of 1.21% of shares in Teleport and the balance to be satisfied in cash. A goodwill of RM30.5 million (subject to purchase price allocation exercise to be completed within 12 months) was recognised.

**Material partly-owned subsidiaries**

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name of entity	Country of incorporation	Group's effective equity interest	
		2021 %	2020 %
IAA	Indonesia	49.1	49.1
PAA	Philippines	40	40

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**12. Investment in subsidiaries (cont'd.)****Material partly-owned subsidiaries (cont'd.)**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Accumulated balances of material non-controlling interests:		
IAA	(1,127,515)	(781,415)
PAA	(1,877,224)	(1,538,500)
Other individually immaterial subsidiaries	(35,864)	(35,592)
	<u>(3,040,603)</u>	<u>(2,355,507)</u>

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss allocated to material non-controlling interests:		
IAA	(346,101)	(395,261)
PAA	(338,724)	(361,821)
Other individually immaterial subsidiaries	(28,123)	(10,836)
	<u>(712,948)</u>	<u>(767,918)</u>

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.

Summarised income statements as at 31 December are as follows:

	<b>2021</b>		<b>2020</b>	
	<b>IAA</b>	<b>PAA</b>	<b>IAA</b>	<b>PAA</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	181,476	176,024	514,140	558,304
Depreciation and amortisation	(294,173)	(245,893)	(327,430)	(293,327)
Interest income	34	9	199	43
Interest expense	(76,129)	(51,318)	(76,768)	(98,613)
<b>Loss before taxation</b>	(559,884)	(547,267)	(881,639)	(584,395)
Tax (expense)/credit	(117,859)	-	90,611	-
<b>Net loss for the financial year</b>	(677,743)	(547,267)	(791,028)	(584,395)
Other comprehensive (loss)/income	(2,219)	(17,272)	14,484	(18,640)
<b>Total comprehensive loss</b>	(679,962)	(564,539)	(776,544)	(603,035)
Attributable to non-controlling interests	(346,101)	(338,724)	(395,261)	(361,821)

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**12. Investment in subsidiaries (cont'd.)**

**Material partly-owned subsidiaries (cont'd.)**

Summarised statements of financial position as at 31 December are as follows:

	<b>2021</b>		<b>2020</b>	
	<b>IAA</b>	<b>PAA</b>	<b>IAA</b>	<b>PAA</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	1,458,047	721,811	1,678,504	940,601
Current assets	48,434	217,288	141,082	65,520
Non-current liabilities	(1,097,859)	(706,530)	(1,494,295)	(1,236,092)
Current liabilities	(1,931,484)	(2,805,644)	(1,158,820)	(2,298,905)
Net liabilities	<u>(1,522,862)</u>	<u>(2,573,075)</u>	<u>(833,529)</u>	<u>(2,528,876)</u>

Summarised cash flow information for the year ended 31 December are as follows:

	<b>2021</b>		<b>2020</b>	
	<b>IAA</b>	<b>PAA</b>	<b>IAA</b>	<b>PAA</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating	9,186	504,576	36,056	74,864
Investing	(2,777)	(11,044)	8,605	3,139
Financing	(15,259)	(418,022)	(126,032)	(127,757)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(8,850)</u>	<u>75,510</u>	<u>(81,371)</u>	<u>(49,754)</u>

**13. Investment in a joint venture**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted investments, at cost	2,025	2,025	-	-
Share of post-acquisition loss	(1,147)	(693)	-	-
	<u>878</u>	<u>1,332</u>	<u>-</u>	<u>-</u>

In prior year, the Group, through its wholly-owned subsidiary, RedBeat Academy Sdn Bhd ("RBA"), entered into a Preliminary Shareholders' Agreement in relation to a proposed joint venture with Universal Music Malaysia Sdn Bhd, namely RedRecords Sdn Bhd ("RRSB") with an initial fully paid-up share capital of RM2 consisting of 2 ordinary shares

On 20 April 2020, RBA and Universal Music Malaysia Sdn Bhd have increased the fully paid-up share capital of RRSB to USD1 million (equivalent to RM4.1 million) by subscribing to an equal amount of shares.

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**13. Investment in a joint venture (cont'd.)**

During the year, RBA transferred its investment in RRSB to another subsidiary of the Group, AirAsia Com Travel Sdn Bhd ("AA.Com").

The joint venture listed below has share capital consisting solely of ordinary shares, which are indirectly held by the Group:

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by RBA				
RRSB <sup>f</sup>	Malaysia	-*	50	Music-based entertainment
Held by AA.Com				
RRSB <sup>f</sup>	Malaysia	50*	-	Music-based entertainment

<sup>f</sup> Audited by a firm other than Ernst & Young.

\* Transferred within the Group.

**14. Investment in associates**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted investments				
As at 1 January	1,087,889	1,526,196	-	-
Disposed during the year	-	(361,851)	-	-
Reclassified to investment in other securities	-	(76,456)	-	-
	1,087,889	1,087,889	-	-
Share of post-acquisition loss	(522,114)	(477,364)	-	-
Share of post-acquisition reserves	(68,499)	(68,499)	-	-
Impairment losses	(59,272)	(59,272)	-	-
As at 31 December	438,004	482,754	-	-

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**14. Investment in associates (cont'd.)**

**Disposal of an associate in the previous year**

On 29 December 2020, the Group announced that its wholly owned subsidiary, AAAGL executed a Share Purchase Agreement ("SPA") with Tata Sons Private Limited ("TSL") to sell 32.7% of AirAsia (India) Limited ("AAI"), comprising 490 million ordinary shares of INR10 each, for a consideration of USD37.7 million (or approximately RM152.9 million), which resulted in a gain on disposal of RM152.9 million.

The SPA also provides for an option for the sale of AAAGL remaining 16.3% stake in AAI. The total consideration in respect of the option is USD18.8 million (or approximately RM76.5 million).

Consequently, the Group has lost its significant influence in AAI. Therefore, the remaining equity stake of 16% was reclassified from "investment in associates" to "investment securities" and remeasured to a fair value of USD18.8 million (equivalent to RM76.5 million) in accordance with MFRS 9.

The details of the associates are as follows:

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest		Principal activities
		2021	2020	
		%	%	
Held by AAB				
AirAsia Philippines Inc	Philippines	39.9	39.9	Dormant

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**14. Investment in associates (cont'd.)**

The details of the associates are as follows: (cont'd.)

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by AAB (cont'd.)				
Ground Team Red Holdings Sdn Bhd ("GTRH") <sup>f</sup>	Malaysia	50	50	Investment holding
Held by AAAGL				
Thai AirAsia Co. Ltd ("TAA") <sup>+</sup>	Thailand	45	45	Commercial air transport services
AirAsia Japan Co., Ltd ("AAJ") <sup>+^</sup>	Japan	66.9 <sup>#</sup>	66.9 <sup>#</sup>	Under bankruptcy proceedings
Held by GTRH				
Ground Team Red Sdn Bhd ("GTR") <sup>f</sup>	Malaysia	49	49	Ground handling services
GTRSG Pte Ltd (formerly known as SATS Ground Services Pte Ltd) <sup>f</sup> ("GTRSG")	Singapore	40	40	Ground handling services

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**14. Investment in associates (cont'd.)**

The details of the associates are as follows: (cont'd.)

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest		Principal activities
		2021 %	2020 %	
Held by TES				
Teleport (Thailand) Co Ltd	Thailand	45.40	49	Logistics business
Teleport Commerce Philippines, Inc	Philippines	37.06	40	Logistics business
Held by TPSB				
Teleport Commerce (Thailand) Co, Ltd	Thailand	45.40	49	Online retail sales

<sup>+</sup> Audited by a member of Ernst & Young Global.

<sup>f</sup> Audited by a firm other than Ernst & Young.

<sup>^</sup> These investees are deemed to be the associates of the Group as the Group has significant influence and not control over the relevant activities.

<sup>\*</sup> Transferred to investment securities.

<sup>#</sup> Equity interest of 66.91% comprise both voting and non-voting shares in AAJ. AAAGL holds 33% of the voting shares and 67% of the non-voting shares.

All of the investment in associates are accounted for using the equity method.

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**14. Investment in associates (cont'd.)**

All of the associates have the same reporting period as the Group except for AAI and GTRH which is 31 March. For the purpose of applying the equity method of accounting for associates, the last audited financial statements available and the management financial statements as at end of the accounting period of the associate were used.

In prior year, AAJ had filed for bankruptcy as a result of unfavourable operating conditions brought about by the COVID-19 pandemic. However, the share of losses in AAJ exceeds the Group's interest in AAJ, hence there is no impact to the investment in associates. The Group's cumulative share of unrecognised losses at the reporting date for AAJ was RM108.3 million (2020: RM108.3 million). The Group has no obligation in respect of these losses. Upon the completion of the bankruptcy, both the cost of investment and the corresponding losses will be derecognised.

The Group has not recognised losses relating to TAA, where its share of losses exceeds the Group's interest in this associate as a result of grim earnings brought about by the COVID-19 pandemic. Pursuant to the restructuring of TAA which had resulted in the Group's investment to be in its holding company AAV. The completion of the restructuring is interconditional upon AAV raising rights issue and purchasing the remainder of TAA shares that they did not already own. The restructuring was completed after year end. Accordingly, RM581 million is recognised as a non-current prepayment to an investment in associate pending its completion as disclosed in Note 18.

There are no contingent liabilities relating to the Group's interest in the associates.

Material associates

The directors consider TAA and GTRH as material associates to the Group. TAA, an wholly owned subsidiary of AAV, is an operator of commercial air transport services based in Thailand. This associate company is a strategic investment of the Company and form an essential part of the Company's growth strategy. TAA provides access to a wider geographical market and network coverage in the provision of air transport services across the Association of Southeast Asian Nations ("ASEAN") region. GTRH has investments in GTR and SGSS which provide ground handling services in Malaysia and Singapore respectively.

Summarised financial information for associates

The tables below provide summarised financial information for TAA and GTRH that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of TAA and GTRH and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.



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**14. Investment in associates (cont'd.)**

Summarised financial information for associates (cont'd.)

**Summarised statements of financial position**

	<b>GTRH</b>		<b>TAA</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	875,951	1,082,680	5,315,013	5,733,791
Current assets	3	3	377,676	358,733
Non-current liabilities	-	-	(4,564,294)	(4,158,651)
Current liabilities	(1,228)	(1,133)	(2,498,761)	(2,405,801)

**Summarised statements of comprehensive income**

	<b>GTRH</b>		<b>TAA</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	-	-	563,845	2,191,906
Net loss for the financial year	(88,280)	(81,406)	(1,474,275)	(1,170,851)
Other comprehensive income/ (loss)	-	-	53,342	(29,125)
Total comprehensive loss	(88,280)	(81,406)	(1,420,933)	(1,199,976)

Reconciliations of summarised financial information:

	<b>GTRH</b>		<b>TAA</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening net assets at 1 January	1,081,550	1,162,956	-	270,557
Impairment loss	(118,544)	-	-	-
Loss for the financial year	(88,280)	(81,406)	(1,474,275)	(1,170,851)
Other comprehensive income/(loss)	-	-	53,342	(29,125)
Foreign exchange differences	-	-	-	6,840
Cumulative share of unrecognised losses	-	-	1,420,933	922,579
Closing net assets at 31 December	874,726	1,081,550	-	-

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**14. Investment in associates (cont'd.)**

Summarised financial information for associates (cont'd.)

Reconciliations of summarised financial information: (cont'd.)

	<b>GTRH</b>		<b>TAA</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Group's interest in associates	50%	50%	45%	45%
Interest in associates	437,363	540,775	-	-
Impairment loss	-	(59,272)	-	-
Carrying value at 31 December	<u>437,363</u>	<u>481,503</u>	<u>-</u>	<u>-</u>

Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate carrying amount of individually immaterial associates	<u>641</u>	<u>1,251</u>
Aggregate amounts of the Group's share of:		
Profit from continuing operations	-	414
Other comprehensive income	-	-
Total comprehensive income	<u>-</u>	<u>414</u>

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**15. Investment securities**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Listed equity securities</u>				
At 1 January	220,054	413,827	132,614	267,391
Fair value gain/(loss)				
- recognised in other comprehensive income (ii)	100,631	(193,773)	107,365	(134,777)
Disposal during the year	(239,979)	-	(239,979)	-
At 31 December	80,706	220,054	-	132,614
<u>Unlisted equity securities</u>				
At 1 January	159,437	94,105	42,677	45,769
Addition during the year	-	6,738	-	6,738
Reclassified from investment in associates (Note 14)	-	76,456	-	-
Disposal during the year	(44,426)	-	(44,426)	-
Capital return	-	(2,361)	-	(2,361)
Fair value gain/(loss)				
- recognised in other comprehensive income (i)	2,174	(15,501)	1,749	(7,469)
Exchange differences	1,791	-	-	-
At 31 December	118,976	159,437	-	42,677
<u>Unquoted debt securities</u>				
At 1 January	93,228	95,283	-	-
Addition during the year	3	721	-	-
Redemption during the year	(49,590)	(2,776)	-	-
At 31 December	43,641	93,228	-	-
Total	243,323	472,719	-	175,291

Financial assets at fair value through other comprehensive income comprise investments in equity securities of listed and non-listed companies which were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group holds non-controlling equity interests of up to 14% each in 2 (2020: 3) listed equity securities. In addition, the Group also holds non-controlling equity interest of 2% in an unlisted equity security.

- (i) During the financial year, the Company disposed its investment in an unlisted equity securities at its market value.
- (ii) On 5 August 2021, the Company completed its divestment of 3,333,333 common shares, representing 10.94% of the outstanding shareholding of Fly Leasing to Carlyle Aviation Elevate Ltd for USD56.8 million (equivalent to RM240 million).

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**16. Intangible assets**

<b>Group</b>	<b>Goodwill RM'000</b>	<b>Landing rights RM'000</b>	<b>Developed software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January 2021	168,827	443,900	29,779	642,506
Additions	-	-	2,327	2,327
Acquisition of a subsidiary	191,207	-	5,714	196,921
Exchange differences	-	-	(282)	(282)
At 31 December 2021	360,034	443,900	37,538	841,472
<b>Accumulated amortisation</b>				
At 1 January 2021	-	-	(1,953)	(1,953)
Amortisation expense	-	-	(975)	(975)
At 31 December 2021	-	-	(2,928)	(2,928)
<b>Accumulated impairment</b>				
During the year and as at 31 December 2021	(5,094)	-	-	(5,094)
<b>Carrying amount as at 31 December 2021</b>	354,940	443,900	34,610	833,450

**Group**

<b>Cost</b>				
At 1 January 2020	168,827	443,900	23,968	636,695
Additions	-	-	5,811	5,811
At 31 December 2020	168,827	443,900	29,779	642,506
<b>Accumulated amortisation</b>				
At 1 January 2020	-	-	(1,671)	(1,671)
Amortisation expense	-	-	(282)	(282)
At 31 December 2020	-	-	(1,953)	(1,953)
<b>Carrying amount as at 31 December 2020</b>	168,827	443,900	27,826	640,553

**Landing rights**

Landing rights relate to traffic rights and landing slots for destinations operated by IAA and PAA. As explained in Note 2.6.2(ii), the useful life of these landing rights is estimated to be indefinite.

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**16. Intangible assets (cont'd.)**

**Impairment testing for goodwill and landing rights**

The carrying amounts of goodwill and landing rights allocated to the Group's cash generating units ("CGUs") are as follows:

	<b>Goodwill</b>		<b>Landing rights</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CGU</b>				
BIG	102,926	102,926	-	-
IAA	38,394	38,394	374,600	374,600
PAA	-	-	69,300	69,300
AAAGL	7,334	7,334	-	-
BigPay	5,275	5,275	-	-
Rokki	-	5,094	-	-
AA.Com	9,804	9,804	-	-
Velox	160,733	-	-	-
DeliverEat	30,474	-	-	-
	<u>354,940</u>	<u>168,827</u>	<u>443,900</u>	<u>443,900</u>

During the year, the Group impaired the full carrying amount of goodwill in relation to Rokki.

The recoverable amounts of the CGUs have been measured based on their value in use which is based on calculations using cash flow projections from financial budgets approved by the management covering a five-year period. The discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate the cash flows beyond the five-year period are as follows:

	<b>Growth rates</b>		<b>Discount rates</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>CGU</b>				
BIG	0%	0%	20%	20%
IAA	2%	2%	12%	12%
PAA	2%	2%	9%	9%
Velox	0%	-	25%	-
Delivereat	0%	-	25%	-

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**16. Intangible assets (cont'd.)**

**Impairment testing for goodwill and landing rights (cont'd.)**

The calculation of value in use for the CGUs are most sensitive to the following assumptions:

**Growth rates:** The forecasted growth rate is based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGU.

**Discount rates:** Discount rate reflects management's estimate of the risks specific to this entity. In determining appropriate discount rate, consideration has been given to the applicable weighted average cost of capital.

The recoverable amount of the IAA CGU is within level 3 of the fair value hierarchy. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement:

<b>Description</b>	<b>Unobservable inputs*</b>	<b>Inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
IAA	Discount rate	12.1%	Increased discount rate of 1% would decrease fair value by RM132,000,000
	Long-term growth rate per annum	2%	Decreased long-term growth rate by 1% would decrease the fair value by RM80,000,000

\* There were no significant inter-relationships between unobservable inputs that materially affect the fair value.

Based on the assessments performed, there is no impairment of goodwill and landing rights attributable to the CGUs. The management believes that no reasonably possible change in the key assumptions disclosed above used to determine the CGUs' recoverable amounts, including goodwill, would cause its carrying amounts to materially exceed its recoverable amounts.

The calculation of recoverable amounts of the CGUs which have been measured based on their value in use as described above has been made based on conditions existing at 31 December 2021 and has taken into consideration the impacts of the COVID-19 pandemic. There is a significant risk that the assumptions on revenue per passenger, load factor, discount rates and growth rate applied in the goodwill impairment assessment would need to be revised, depending on industry developments which may result in a material adjustment to the carrying amounts of the goodwill.

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**17. Deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of year	756,023	1,046,551
Recognised in profit or loss (Note 9)	(140,765)	(318,826)
Recognised in other comprehensive income	(11,955)	23,679
Issuance of RCUIDS (Note 28)	(32,892)	-
Exchange differences	(1,128)	4,619
At end of year	<u>569,283</u>	<u>756,023</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	738,760	774,155
Deferred tax liabilities	<u>(169,477)</u>	<u>(18,132)</u>
	<u>569,283</u>	<u>756,023</u>

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of year	-	-
Issuance of RCUIDS (Note 28)	<u>(32,892)</u>	<u>-</u>
At end of year	<u>(32,892)</u>	<u>-</u>
Deferred tax liability	<u>(32,892)</u>	<u>-</u>

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**17. Deferred tax assets/(liabilities) (cont'd.)**

The movements in the deferred tax assets and liabilities of the Group during the financial year are as follows:

**Deferred tax assets of the Group:**

	<b>Unabsorbed investment tax allowances RM'000</b>	<b>Unabsorbed capital allowances RM'000</b>	<b>Sales in advance RM'000</b>	<b>Derivatives RM'000</b>	<b>Unutilised tax losses RM'000</b>	<b>Provision for retirement benefits RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2021</b>	625,529	69,011	137,155	24,656	137,905	13,652	16,290	1,024,198
Recognised in profit or loss	-	4,576	-	-	(78,617)	(3,806)	(31,142)	(108,989)
Recognised in other comprehensive income	-	-	-	(12,008)	-	53	-	(11,955)
Exchange differences	-	-	-	-	-	-	(1,128)	(1,128)
<b>At 31 December 2021</b>	<b>625,529</b>	<b>73,587</b>	<b>137,155</b>	<b>12,648</b>	<b>59,288</b>	<b>9,899</b>	<b>(15,980)</b>	<b>902,126</b>
<b>At 1 January 2020</b>	706,000	339,967	162,825	(647)	29,067	13,726	19,993	1,270,931
Recognised in profit or loss	(80,471)	(270,956)	(25,670)	1,107	104,219	443	(3,703)	(275,031)
Recognised in other comprehensive income	-	-	-	24,196	-	(517)	-	23,679
Exchange differences	-	-	-	-	4,619	-	-	4,619
<b>At 31 December 2020</b>	<b>625,529</b>	<b>69,011</b>	<b>137,155</b>	<b>24,656</b>	<b>137,905</b>	<b>13,652</b>	<b>16,290</b>	<b>1,024,198</b>

\* Others include provisions and receivables.



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**17. Deferred tax assets/(liabilities) (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows: (cont'd.)

**Deferred tax liabilities of the Group:**

	<b>Property, plant and equipment RM'000</b>	<b>Fair value on intangible assets RM'000</b>	<b>Payables RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2021</b>	(25,947)	(114,440)	(123,882)	(3,906)	(268,175)
Recognised in profit or loss	(31,776)	-	-	-	(31,776)
Issuance of RCUIDS	-	-	-	(32,892)	(32,892)
<b>At 31 December 2021</b>	<b>(57,723)</b>	<b>(114,440)</b>	<b>(123,882)</b>	<b>(36,798)</b>	<b>(332,843)</b>
<b>At 1 January 2020</b>	(34,168)	(114,440)	(71,219)	(4,553)	(224,380)
Recognised in profit or loss	8,221	-	(52,663)	647	(43,795)
<b>At 31 December 2020</b>	<b>(25,947)</b>	<b>(114,440)</b>	<b>(123,882)</b>	<b>(3,906)</b>	<b>(268,175)</b>

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**17. Deferred tax assets/(liabilities) (cont'd.)**

Deferred tax has not been recognised for the following items:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred revenue	36,514	95,113
Deferred breakage	15,604	18,589
Provisions and others	1,520,415	1,561,111
Unabsorbed capital allowances	2,001,376	1,977,515
Unutilised tax losses	4,863,166	2,256,235
Unutilised investment tax allowances	1,948,571	2,083,333
	<u>10,385,646</u>	<u>7,991,896</u>

The recognised deferred tax assets is able to be utilised against future taxable profits of the subsidiaries. The deferred tax assets in respect of the above items, which have not been recognised, arose from subsidiaries, as it is expected that it will not be utilised against future taxable profits.

As disclosed in Note 3.3 in respect of critical accounting estimates and judgments, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

**18. Receivables and prepayments**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current:</b>				
Other receivables*	340,687	351,758	-	-
Less: Allowance for impairment	(340,687)	(340,687)	-	-
	-	11,071	-	-
Prepayments	3,185,181	2,717,116	-	-
Deposits	414,233	378,754	-	-
	<u>3,599,414</u>	<u>3,106,941</u>	<u>-</u>	<u>-</u>

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**18. Receivables and prepayments (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current:</b>				
Trade receivables	431,269	429,194	-	-
Less: Allowance for impairment	(123,598)	(120,623)	-	-
	307,671	308,571	-	-
Other receivables	134,780	294,755	-	17
Less: Allowance for impairment	(3,839)	(3,733)	-	-
	130,941	291,022	-	17
Prepayments	54,541	290,821	80	1
Deposits	115,252	214,655	-	-
	<u>608,405</u>	<u>1,105,069</u>	<u>80</u>	<u>18</u>

(a) Included in non-current other receivables is a receivable of IDR1,187 billion (equivalent to RM340.7 million) arising from the disposal of a perpetual capital security which has been fully impaired in prior year.

(b) Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider.

(c) Deposits of the Group at the balance sheet date are with a number of external parties for which there is no expectation of default. The deposits include amount set aside for aircraft maintenance of major components amounting to RM198 million (2020: RM239 million).

Credit terms of trade receivables range from 30 to 60 days (2020: 30 to 60 days).

Movements on the allowance for impairment of other receivables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	344,420	-	-	-
Impairment (Note 6)	106	344,420	-	-
At 31 December	<u>344,526</u>	<u>344,420</u>	<u>-</u>	<u>-</u>

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**18. Receivables and prepayments (cont'd.)**

The ageing analysis of trade receivables is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current	77,914	22,345	-	-
1 to 90 days	33,760	46,629	-	-
91 to 120 days	3,124	5,334	-	-
121 to 180 days	5,716	6,684	-	-
181 to 365 days	14,575	32,116	-	-
Over 365 days	296,180	316,086	-	-
	<u>431,269</u>	<u>429,194</u>	<u>-</u>	<u>-</u>

Credit terms of trade receivables range from 30 to 60 days (2020: 30 to 60 days).

**(a) Trade receivables that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired of RM77.9 million (2020: 22.3 million) are substantially due from companies with good collection track records with the Group.

**(b) Trade receivables that are past due but not impaired**

Trade receivables for the Group of RM353 million (2020: RM407 million) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

**(iii) Trade receivables that are impaired**

Movements on the allowance for impairment of trade receivables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	120,623	77,128	-	-
Reversal (Note 6)	-	(6,218)	-	-
Impairment (Note 6)	2,975	53,539	-	-
Write off	-	(3,826)	-	-
At 31 December	<u>123,598</u>	<u>120,623</u>	<u>-</u>	<u>-</u>

The individually impaired trade receivables are mainly related to disputed balances with customers or balances for which management is of the view that the amounts may not be recoverable.

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**18. Receivables and prepayments (cont'd.)**

Deposits of the Group at the balance sheet date are with a number of external parties for which there is no expectation of default. The deposits include amount set aside for aircraft maintenance of major components amounting to RM198 million (2020: RM239 million).

Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The currency profile of receivables and deposits (excluding prepayments) is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	216,915	107,979	-	17
US Dollar	546,254	931,198	-	-
Others	184,395	164,896	-	-
	<u>947,564</u>	<u>1,204,073</u>	<u>-</u>	<u>17</u>

**19. Deposits on aircraft purchase**

Deposits on aircraft purchases represent refundable deposits paid for aircraft to be delivered to the Group. These deposits are denominated in US Dollars.

**20. Derivative financial instruments**

	<b>Group</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>				
Interest rate swaps				
- held for trading	-	(32,785)	-	(64,818)
RCUIDS				
- early redemption option	165,397	-	-	-
Total	<u>165,397</u>	<u>(32,785)</u>	<u>-</u>	<u>(64,818)</u>
<b>Current</b>				
Commodity derivatives				
- cash flow hedges	-	-	77,808	(134,655)

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**20. Derivative financial instruments (cont'd.)**

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current asset</b>		
RCUIDS		
- early redemption option	165,397	-

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting.

During the financial year, the Group recognised a loss of RM88.9 million (2020: RM360.5 million) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate, changes in yield curve and changes in market price of fuel. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 40(e).

	<b>Group</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Notional amount RM'000</b>	<b>Fair value RM'000</b>	<b>Notional amount RM'000</b>	<b>Fair value RM'000</b>
Interest rate swaps	688,280	(32,785)	734,257	(64,818)
Commodity derivatives	-	-	1,268,496*	(56,847)

\* in barrels

**(i) Interest rate contracts**

The notional principal amounts of the outstanding interest rate contracts at 31 December 2021 were RM688 million (2020: RM734 million).

As at 31 December 2021, the Group has not hedged any of its existing USD aircraft loans (2020: Nil)

**(ii) Fuel contracts**

As at 31 December 2021, there is no outstanding fuel derivative contracts (2020: 1.3 million barrels).

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**20. Derivative financial instruments (cont'd.)**

(iii) Early Redemption Option

The RCUIDS issued by the Group as disclosed in Note 28 below allows for an option of refinancing the debt at a price of 105% of the principal which will provide future savings to the Group.

**21. Inventories**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost</b>		
Consumables, in-flight merchandise and others	<u>153,600</u>	<u>141,421</u>

During the year, the amount of the inventories recognised in operating expenses of the Group was RM22 million (2020: RM77 million).

**22. Amounts due from/(to) subsidiaries**

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from subsidiaries		
- current	<u>1,091,879</u>	<u>545,558</u>
Amounts due to subsidiaries		
- current	<u>(213,099)</u>	<u>(462,178)</u>

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

The details of the receivables and payables from/(to) subsidiaries are as follows:

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Receivables:</u>		
- AAIL	617,948	270,072
- AAD	458,326	275,328
- Others	15,605	158
	<u>1,091,879</u>	<u>545,558</u>

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**22. Amounts due from/(to) subsidiaries (cont'd.)**

The details of the receivables and payables from/(to) subsidiaries are as follows: (cont'd.)

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Payables:</u>		
- AAB	(201,956)	(459,002)
- Others	(11,143)	(3,176)
	<u>(213,099)</u>	<u>(462,178)</u>

The currency profile of amounts due from/(to) subsidiaries are as follows:

<u>Due from</u>		
Ringgit Malaysia	496,228	363,511
US Dollar	595,651	182,047
	<u>1,091,879</u>	<u>545,558</u>
<u>Due to</u>		
Ringgit Malaysia	(201,958)	(254,823)
US Dollar	(9,140)	(202,903)
Thai Baht	(2,001)	(4,452)
	<u>(213,099)</u>	<u>(462,178)</u>

**23. Amounts due from/(to) associates**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts due from associates	317,534	624,456	213,543	213,710
Less: Allowance for impairment	(250,249)	(264,071)	(203,283)	(213,710)
	<u>67,285</u>	<u>360,385</u>	<u>10,260</u>	<u>-</u>
Amounts due to associates				
- current	<u>(43,297)</u>	<u>(35,907)</u>	<u>-</u>	<u>-</u>



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**23. Amounts due from/(to) associates (cont'd.)**

The amounts due from/(to) associates are trade balances and are unsecured, interest free and repayable on demand except:

- (a) loan to an associate of RM10 million for 3 years at an interest of 5%, repayable in 8 quarterly installments commencing April 2022; and
- (b) in prior year, loan of JPY3 billion (equivalent to RM114.9 million) to AAJ, which bears interest of 8% per annum and another loan of USD12 million (equivalent to RM50.5 million) to AAJ which bore interests of 6% per annum. The loan of JPY3 billion was fully repaid in prior year whilst the USD12 million loan has been fully impaired.
- (i) Financial assets that are neither past due nor impaired

Amounts due from associates that are neither past due nor impaired of the Group amounted to RM30 million (2020: RM244 million).

- (ii) Financial assets that are past due and not impaired

Amounts due from associates that are past due and not impaired of the Group amounted to RM37 million (2020: RM116 million).

- (iii) Financial assets that are impaired

Amounts due from associates that are past due and impaired amounted to RM250 million (2020: RM264 million).

Movements on allowance for impairment of amounts due from associates are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	264,071	-	213,710	-
Allowance for impairment (Note 6)	15	264,071	-	213,710
Reversal (Note 6)	(4,898)	-	(269)	-
Exchange differences	(8,939)	-	(10,158)	-
At 31 December	<u>250,249</u>	<u>264,071</u>	<u>203,283</u>	<u>213,710</u>

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above.

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**23. Amounts due from/(to) associates (cont'd.)**

The details of the receivables from associates are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Receivables:</u>				
- TAA	44,773	354,759	10,260	-
- Others	22,512	5,626	-	-
	<u>67,285</u>	<u>360,385</u>	<u>10,260</u>	<u>-</u>

The details of the payables to associates are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Payables:</u>				
- TAA	(35,499)	(29,652)	-	-
- AAJ	(744)	(727)	-	-
- GTR	(6,589)	(5,524)	-	-
- Others	(465)	(4)	-	-
	<u>(43,297)</u>	<u>(35,907)</u>	<u>-</u>	<u>-</u>

The currency profile of the amounts due from/(to) associates are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Due from</u>				
US Dollar	45,418	354,878	10,260	-
Ringgit Malaysia	7,117	3,380	-	-
Others	14,750	2,127	-	-
	<u>67,285</u>	<u>360,385</u>	<u>10,260</u>	<u>-</u>
<u>Due to</u>				
US Dollar	(36,243)	(30,383)	-	-
Ringgit Malaysia	(7,054)	(5,524)	-	-
	<u>(43,297)</u>	<u>(35,907)</u>	<u>-</u>	<u>-</u>

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**24. Amounts due from/(to) related parties**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts due from related parties	703,663	750,368	1,787	637
Less: Allowance for impairment	(569,510)	(643,321)	(637)	-
	<u>134,153</u>	<u>107,047</u>	<u>1,150</u>	<u>637</u>
Amounts due to related parties				
- current	<u>(129,717)</u>	<u>(49,923)</u>	<u>-</u>	<u>-</u>

The amounts due from/(to) related parties are trade balances and are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from related parties approximate their fair values.

In prior year, the Group wrote down the debt due from AirAsia X Berhad arising from their creditors restructuring scheme.

The other amounts due from related parties that is assessed as not recoverable had been impaired accordingly.

Movements on allowance for impairment of amounts due from related parties are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	643,321	28,133	-	-
Allowance for impairment (Note 6)	14,293	615,578	637	-
Reversal	-	(390)	-	-
Write off	(89,128)	-	-	-
Exchange differences	1,024	-	-	-
At 31 December	<u>569,510</u>	<u>643,321</u>	<u>637</u>	<u>-</u>

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**24. Amounts due from/(to) related parties (cont'd.)**

The details of the receivables and payables due from/(to) related parties (net of impairment) are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Receivables:</u>				
- AirAsia X Berhad	18,262	5,887	18	637
- PT Indonesia AirAsia Extra	101,898	19,579	-	-
- AAI	10,085	73,831	1,132	-
- Thai AirAsia X Co. Ltd	3,882	6,052	-	-
- Others	26	1,698	-	-
	<u>134,153</u>	<u>107,047</u>	<u>1,150</u>	<u>637</u>
<u>Payables:</u>				
- AirAsia X Berhad	(9,516)	(7,042)	-	-
- Thai AirAsia X Co. Ltd	(944)	(980)	-	-
- PT Indonesia AirAsia Extra	(118,056)	(38,295)	-	-
- AAI	(844)	(3,605)	-	-
- Others	(357)	(1)	-	-
	<u>(129,717)</u>	<u>(49,923)</u>	<u>-</u>	<u>-</u>

The currency profile of amounts due from/(to) related parties are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Due from</u>				
Ringgit Malaysia	18,281	7,577	18	637
US Dollar	115,872	83,033	1,132	-
Others	-	16,437	-	-
	<u>134,153</u>	<u>107,047</u>	<u>1,150</u>	<u>637</u>
<u>Due to</u>				
Ringgit Malaysia	-	(7,043)	-	-
Indonesian Rupiah	(125,103)	(38,295)	-	-
US Dollar	(4,614)	(4,585)	-	-
	<u>(129,717)</u>	<u>(49,923)</u>	<u>-</u>	<u>-</u>

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**25. Deposits, cash and bank balances**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits with licensed banks	9,344	30,893	100	-
Cash and bank balances	1,247,409	502,385	561,787	859
Deposits, cash and bank balances	1,256,753	533,278	561,887	859
Deposits with licensed banks with maturity period of more than 3 months	(1,077)	(1,068)	-	-
Deposits pledged as securities and restricted cash	(77,745)	(66,305)	-	-
Cash and cash equivalents	1,177,931	465,905	561,887	859

The currency profile of deposits, cash and bank balances are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	1,198,396	239,343	561,814	67
US Dollar	23,290	215,539	57	792
Chinese Renminbi	5,840	12,836	-	-
Others	29,227	65,560	16	-
	1,256,753	533,278	561,887	859

Short-term deposits are made for varying period of twelve months (2020: varying periods of eight days and twelve months) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The weighted average effective annual interest rates of deposits at the balance sheet dates are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Deposits with licensed banks	1.83	1.22	-	-

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**26. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current:</b>				
Other payables	292,691	273,455	-	-
<b>Current:</b>				
Trade payables	1,306,412	1,419,866	146	44
Accrual for fuel	77,236	5,286	-	-
Other payables and accruals	925,249	1,083,748	7,520	7,165
	<u>2,308,897</u>	<u>2,508,900</u>	<u>7,666</u>	<u>7,209</u>

The current other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

The currency profile of trade and other payables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	819,583	1,086,101	7,300	7,209
US Dollar	797,871	1,294,310	166	-
Others	984,134	401,944	200	-
	<u>2,601,588</u>	<u>2,782,355</u>	<u>7,666</u>	<u>7,209</u>

**27. Aircraft maintenance provisions and liabilities**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Aircraft maintenance provisions (i)	1,480,248	1,367,752
Aircraft maintenance payables (ii)	2,501,966	2,377,065
Aircraft maintenance reserve fund (iii)	1,855,056	1,824,239
	<u>5,837,270</u>	<u>5,569,056</u>

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**27. Aircraft maintenance provisions and liabilities (cont'd.)**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Disclosed as		
Non-current	4,860,637	4,857,292
Current	976,633	711,764
	<u>5,837,270</u>	<u>5,569,056</u>

- (i) Aircraft maintenance provisions relate to aircraft held under operating lease arrangements whereby, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

The movements in the aircraft maintenance provisions of the Group during the financial year are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	1,367,752	1,274,338
Arose during the year	232,833	192,163
Utilised	(120,337)	(98,749)
At 31 December	<u>1,480,248</u>	<u>1,367,752</u>

- (ii) Aircraft maintenance payables (which is estimated using flight hours and flight cycles of the aircraft at the date of disposal) relate to the amounts set aside from the disposal consideration for aircraft under operating lease where the Group is contractually obligated to return the aircraft at the end of the lease term in certain pre-agreed conditions.
- (iii) Aircraft maintenance reserve funds relate to payments made by the lessee for maintenance activities to be undertaken during the lease period. The Group will reimburse the lessee for agreed maintenance work done as and when incurred. The Group records the amounts received as maintenance reserve funds. At the expiry of the lease term, any excess maintenance reserve is recognised in the profit and loss account.

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**28. Borrowings**

		<b>Group</b>	
		<b>2021</b>	<b>2020</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>			
Term loans	(i)	332,262	313,688
Revolving credit	(i)	85,010	120,000
Swap creditors loan and deferral	(ii)	219,896	582,624
Convertible loan note	(iii)	250,060	-
		<u>887,228</u>	<u>1,016,312</u>
<b>Non-current</b>			
Term loans	(i)	600,224	266,447
Swap creditors loan	(ii)	-	6,110
RCUIDS	(iv)	822,437	-
		<u>1,422,661</u>	<u>272,557</u>
<b>Total borrowings</b>		<u><b>2,309,889</b></u>	<u><b>1,288,869</b></u>

- (i) On 25 June 2021, a subsidiary of the Group drawdown short term working capital loan from a non-financial institution amounting to USD25 million (equivalent to RM104 million) at an interest rate of LIBOR+2.5% per annum to be repayable on 31 December 2021. The term of repayment is subsequently deferred to the second quarter of 2022.

On 28 October 2021, a subsidiary of the Group obtained a working capital loan from a non-financial institution amounting to USD150 million (RM623 million) at an interest rate of 11.75% of per annum, payable quarterly. As at 31 December 2021, USD100 million (RM415 million) has been drawn down, repayable in full (bullet repayment) at the end of the 60 months after the first drawdown.

In the previous financial year, certain subsidiaries of the Group drawdown a term loan of RM280 million with a revolving credit of RM20 million at an interest rate of 7% per annum to be utilised as follows:

- RM170 million to establish and operate OURFARM digital food supply chain and cold chain facilities in Sabah;
- RM110 million to part-finance the project to turn Kota Kinabalu International Airport into an international hub;
- RM10 million revolving credit to enhance e-commerce platforms and marketability of Sabah products; and
- RM10 million revolving credit to further promote Sabah tourism destinations on airasia.com, the digital super app of AirAsia.



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**28. Borrowings (cont'd.)**

- (i) The term loans are secured against the following:
- Assignment of pre delivery deposits;
  - Charged over the intellectual property of the "AirAsia" brand
  - Charged over shares of certain of the subsidiaries within the Group; and
  - Assignment of an office building in Indonesia.
- (ii) In prior financial year, the Group unwound and restructured its exposure in hedges through financing the commodity hedging contracts settlement either via deferral instalment payments or conversion into working capital loan.
- (iii) On 6 August 2021, a subsidiary of the Group secured an investment of up to USD100 million (equivalent to RM415 million) convertible notes at a coupon rate of 6% per annum from SK Group, a South Korean conglomerate. As at 31 December 2021, one convertible note amounting to USD60 million (equivalent to RM250 million) was issued which is convertible into 125,000,000 preference shares of the subsidiary subject to the approval of relevant authorities or repayable within one year from issuance of the convertible note.
- (iv) On 31 December 2021, the Company completed the renounceable rights issue ("Rights Issue") of RM974,513,219 in nominal value of 7-year redeemable convertible unsecured islamic debt securities ("RCUIDS") at nominal value of RM0.75 each based on the Shariah principal of Murabahah (via Tawarruq Arrangement") comprising 1,299,350,959 RCUIDS together with 649,675,479 free detachable warrants ("Warrants") on the basis of 2 RCUIDS with 1 warrant for every 6 ordinary shares in the Company following the listing and quotation on the Main Market of Bursa Securities. The Rights Issue is constituted by a trust deed dated 18 November 2021.

The salient features of the RCUIDS are as follows:

- (a) The profit rate for the RCUIDS is 8% per annum, computed based on the nominal value of the outstanding RCUIDS and payable quarterly in arrears;
- (b) The RCUIDS shall be convertible into new ordinary shares of the Company by surrendering for cancellation RM0.75 nominal value of one RCUIDS for one new ordinary share of the Company at any time on and after 31 December 2021 ("Issue Date") up to 31 December 2028 ("Maturity Date");
- (c) The new ordinary shares to be issued upon conversion of the RCUIDS shall, upon allotment and issuance, rank equally in all respects with the then existing ordinary shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which the entitlement date precedes the allotment date of the new ordinary shares allotted pursuant to the conversion of the RCUIDS;
- (d) The Company shall redeem annually 25% of the outstanding RCUIDS, which have not been converted or redeemed, commencing on the 4th anniversary from the Issue Date and annually thereafter until the 7th anniversary.

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**28. Borrowings (cont'd.)**

(iv) The salient features of the RCUIDS are as follows:

- (e) The Company may make an early redemption of the outstanding RCUIDS in whole on the 4th anniversary of the Issue Date. The redemption amount shall be based on 105% of the nominal value of the RCUIDS (excluding the relevant annual redemption amount on the 4th anniversary of the Issue Date).

The liability component of the RCUIDS is recognised in the statements of financial position as follows:

**Group and Company**

	<b>2021</b>	
	<b>RM'000</b>	
Carrying amount as at 1 January	-	
Proceeds from issuance of 1,299,350,959 RCUIDS and free warrants	974,513	
Amount classified as equity:		
RCUIDS reserves	(154,360)	
Warrant reserves	(112,736)	
Amount classified as deferred tax liabilities (Note 17)	(32,892)	
Amount classified as derivative financial assets	165,397	
Transaction costs	(17,485)	
Carrying amount as at 31 December	<u>822,437</u>	

  

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>
<b>Weighted average interest rate</b>		
Term loans	6.26	6.17
Revolving credit	5.92	4.39
Swap creditors loan	5.39	6.39
Convertible loan note	6.00	-
RCUIDS	8.00	-

The borrowings are repayable as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	887,228	1,016,312
Later than 1 year and not later than 5 years	963,986	164,469
Later than 5 years	458,675	108,088
	<u>2,309,889</u>	<u>1,288,869</u>

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**28. Borrowings (cont'd.)**

The currency profile of borrowings is as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	1,063,082	429,367
US Dollar	1,120,232	730,108
Philippine Peso	79,763	83,541
Indonesia Rupiah	46,812	45,853
	<u>2,309,889</u>	<u>1,288,869</u>

Total borrowings as at reporting date consist of the following banking facilities:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate borrowings	2,130,121	1,117,402
Floating rate borrowings	179,768	171,467
	<u>2,309,889</u>	<u>1,288,869</u>

The carrying amounts and fair values of the fixed rate borrowings are as follows:

	<b>Group</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term loans	857,168	860,257	408,668	387,367
Revolving credit	85,010	85,010	120,000	120,000
Swap creditors loan	219,896	219,896	588,734	588,734
Convertible loan note	250,060	250,060	-	-
RCUIDS	822,437	822,437	-	-
	<u>2,234,571</u>	<u>2,237,660</u>	<u>1,117,402</u>	<u>1,096,101</u>

The fair values of the floating rate borrowings approximate their carrying amounts, as the impact of discounting is not significant.

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's credit risk at the balance sheet date, at 2.76% to 11.75% (2020: 4.90% to 7.23%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

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## 29. Leases

### Group as a lessee

The Group leases various aircraft, spare engines and land and building. Leases of aircraft and spare engines have a lease term of 2 to 19 years (2020: 2 to 15 years) whilst land and building generally have a lease term of 2 to 20 years (2020: 2 to 20 years).

The Group also has certain leases of property, plant and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of ROU assets recognised and the movements during the year:

	<b>Aircraft and spare engines RM'000</b>	<b>Land and building RM'000</b>	<b>Total RM'000</b>
As at 1 January 2021	9,403,629	41,317	9,444,946
Additions	623,872	31,848	655,720
Modifications	1,066,377	-	1,066,377
Depreciation	(1,640,531)	(15,356)	(1,655,887)
Exchange movements	239,555	-	239,555
As at 31 December 2021	<u>9,692,902</u>	<u>57,809</u>	<u>9,750,711</u>
As at 1 January 2020	11,170,143	45,811	11,215,954
Additions	575,351	-	575,351
Modifications	(93,632)	-	(93,632)
Depreciation	(1,915,773)	(6,305)	(1,922,078)
Impairment loss (Note 6)	(552,290)	-	(552,290)
Exchange movements	219,830	1,811	221,641
As at 31 December 2020	<u>9,403,629</u>	<u>41,317</u>	<u>9,444,946</u>

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	<b>2021 RM'000</b>	<b>2020 RM'000</b>
As at 1 January	12,435,240	12,459,801
Additions	277,359	482,919
Accretion of interest (Note 8(b))	500,044	578,211
Payments	(423,777)	(880,201)
Modifications	1,170,803	(93,632)
Exchange movements	335,625	(111,858)
As at 31 December	<u>14,295,294</u>	<u>12,435,240</u>

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**29. Leases (cont'd.)****Group as a lessee (cont'd.)**

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year: (cont'd.)

	<b>2021</b> <b>RM'000</b>	<b>2020</b> <b>RM'000</b>
Current	3,905,769	3,247,138
Non-current	10,389,525	9,188,102
	<u>14,295,294</u>	<u>12,435,240</u>

The maturity analysis of lease liabilities are disclosed in Note 40 (c).

The following are the amounts recognised in profit or loss:

	<b>2021</b> <b>RM'000</b>	<b>2020</b> <b>RM'000</b>
Depreciation of right-of-use assets	1,655,887	1,922,078
Interest expense on lease liabilities	500,044	578,211
Expense relating to short-term leases	11,192	14,361
Impairment of right-of-use assets	-	552,290
Impairment of finance lease receivables	2,856	90,035
Loss on recognition of finance lease receivables	41,187	-
<b>Total amount recognised in profit or loss</b>	<u>2,211,166</u>	<u>3,156,975</u>

The Group had total cash outflows for leases of RM423 million in 2021 (2020: RM880 million). The Group also had non-cash additions to ROU assets and lease liabilities of RM656 million (2020: RM575 million) and RM277 million (2020: RM483 million), respectively. Included in lease liabilities are lease rental payables amounting to approximately RM2,212 million (2020: RM1,511 million).

In 2021, modifications represents change in lease terms and consideration of aircraft lease agreements from certain lessors. These modifications are negotiated by the Group to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

**Impairment testing on right-of-use assets**

In the previous financial year, the impairment loss of RM552.3 million relates to the write-down of certain right-of-use assets to the recoverable amount as a result of the COVID-19 pandemic. This was recognised in the income statement as other operating expenses.

The recoverable amounts were based on value in use as at 31 December 2020 and determined at the level of the CGUs of the airline operating centres in the respective countries that the Group is operating in. The recoverable amounts of the CGUs have been measured based on cash flow projections approved by the management. The airline CGU comprise right-of-use assets and aircraft related property, plant and equipment.

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**29. Leases (cont'd.)****Group as a lessee (cont'd.)****Impairment testing on right-of-use assets (cont'd.)**

The discount rates applied to the cash flow projections ranged from 9% to 13.5% with the assumption of gradual recovery to pre-covid levels over the next few years. The assumptions used to determine the recoverable amounts include revenue per passenger, load factor and growth rate which may change significantly depending on the recovery of the aviation industry in the respective countries, regionally and internationally.

**Group as a lessor - finance lease**

The Group has classified most of its aircraft subleases as finance leases because the sublease is for the whole of the remaining term of the head lease. During the financial year, the movement on the finance lease receivables are as follows:

	<b>2021</b> <b>RM'000</b>	<b>2020</b> <b>RM'000</b>
As at 1 January	938,165	1,221,000
Modifications during the year	(377,343)	(92,433)
Lease payments received during the financial year	(102,440)	(134,128)
Finance income	16,143	50,768
Impairment loss (Note 6)	(2,856)	(90,035)
Exchange movements	18,708	(17,007)
As at 31 December	<u>490,377</u>	<u>938,165</u>
Current	224,144.00	432,666.00
Non-current	<u>266,233.00</u>	<u>505,499.00</u>
	<u>490,377</u>	<u>938,165</u>

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	<b>2021</b> <b>RM'000</b>	<b>2020</b> <b>RM'000</b>
Within one year	117,528	473,667
After one year but not more than five years	314,861	472,567
More than five years	195,174	98,072
Total undiscounted lease payments receivable	<u>627,563</u>	<u>1,044,306</u>
Unearned finance income	<u>(137,186)</u>	<u>(106,141)</u>
Net investment in the lease	<u>490,377</u>	<u>938,165</u>

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**29. Leases (cont'd.)****Group as a lessor - operating lease**

The Group has classified various aircraft leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<b>2021</b> <b>RM'000</b>	<b>2020</b> <b>RM'000</b>
Within one year	-	22,319
Total undiscounted lease payments	<u>-</u>	<u>22,319</u>

Lease income from lease contracts in which the Group acts as a lessor:

	<b>2021</b> <b>RM'000</b>	<b>2020</b> <b>RM'000</b>
<b>Finance lease</b>		
- Finance income on the finance lease receivables	<u>16,143</u>	<u>50,768</u>
<b>Operating lease</b>		
- Aircraft operating lease income	<u>153,290</u>	<u>55,968</u>

**30. Provision for retirement benefits**

The Group has unfunded, non-contributory and actuarially computed retirement benefit plans which provide retirement benefits to employees who reach the mandatory retirement age under the provisions of labour laws in Indonesia and the Philippines.

The amounts recognised in the statements of financial position as at 31 December are as follows:

	<b>Group</b> <b>2021</b> <b>RM'000</b>	<b>2020</b> <b>RM'000</b>
Present value of defined benefit obligation	<u>81,084</u>	<u>97,667</u>

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**30. Provision for retirement benefits (cont'd.)**

The movements in the present value of defined benefit obligation for the year ended 31 December are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Defined benefit obligation at 1 January</b>	97,667	74,951
Recognised in income statement		
- Current service cost	6,272	13,529
- Interest cost	5,350	5,431
Benefits paid	(3,273)	(2,042)
Past service cost	(15,051)	(2,751)
Remeasurement loss/(gain) recognised in other comprehensive income		
- Changes in financial assumptions	(12,152)	8,899
- Experience adjustments	(571)	(3,699)
Exchange differences	2,842	3,349
<b>Defined benefit obligation at 31 December</b>	<b>81,084</b>	<b>97,667</b>

The principal actuarial assumptions used for the year ended 31 December are as follows:

	<b>2021</b>	<b>2020</b>
Discount rate	4.99% - 7.49%	3.8% - 7.8%
Salary increase rate per annum	5%	5%
Average employee service life	19 - 25 years	19 - 22 years

**Sensitivity analysis**

As at 31 December, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	<b>Impact on defined benefit obligation</b>		
	<b>Change in assumption</b>	<b>Increase in assumption RM'000</b>	<b>Decrease in assumption RM'000</b>
<b>2021</b>			
Annual discount rate	+/- 1%	(737)	2,331
Future annual salary increase rate	+/- 1%	2,042	(634)



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**30. Provision for retirement benefits (cont'd.)**

**Sensitivity analysis (cont'd.)**

As at 31 December, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows: (cont'd.)

**2020**

Annual discount rate	+/- 1%	(9,797)	12,040
Future annual salary increase rate	+/- 1%	11,709	(9,757)

**31. Share capital**

	<b>No. of shares</b>		<b>Group/Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>Ordinary shares</b>				
<b>Issued and fully paid up:</b>				
As at 1 January	3,341,974	3,341,974	8,023,268	8,023,268
Issued during the year				
- Private placement	470,214	-	336,464	-
Less: transactional cost	-	-	(5,597)	-
- Acquisition of a subsidiary	85,865	-	103,037	-
As at 31 December	<u>3,898,053</u>	<u>3,341,974</u>	<u>8,457,172</u>	<u>8,023,268</u>

**(i) Private placement**

On 21 January 2021, the Company announced that it proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company or 668,394,816 shares ("Placement shares") ("Proposed Private Placement"). The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 and the "Additional Temporary Relief Measures to Listed Issuers" announced by Bursa Malaysia Securities Berhad ("Bursa") on 16 April 2020 which increased the prescribed limit under Paragraph 6.03 of the Main Market Listing Requirements from 10% to 20%. The Company has obtained approval from its shareholders for the 20% General Mandate at its Annual General Meeting held on 28 September 2020.

On 10 February 2021, the Company announced that the first tranche of placement shares of 369,846,852 is price fixed at RM0.675 per share. On 9 March 2021, the Company announced that the second tranche of placement shares of 100,367,362 is price fixed at RM0.865 per share. The above two tranches raised a total of RM336.46 million.

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**31. Share capital (cont'd.)**

(ii) Acquisition of a subsidiary

On 22 March 2021, the Company entered into a Memorandum of Understanding with Aimia Holdings UK II Limited in relation to the proposed acquisition of the remaining 20% equity interest in BigLife Sdn. Bhd. to be satisfied by the issuance of 85,864,583 ordinary shares in the Company to be allotted at an issue price of RM1.20 per share amounting to RM103 million (approximately USD25 million). On 21 June 2021 at the Extraordinary General Meeting, the above proposed acquisition was approved and BigLife Sdn. Bhd. became a wholly owned subsidiary of the Group. The effect of the acquisition is reflected in the statement of changes in equity.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

**32. Share-based payments**

**Long Term Incentive Scheme ("LTIS")**

On 2 August 2021, the Company implemented a LTIS comprising an Employee Share Option Scheme ("ESOS") and a Share Grant Scheme. The establishment of the LTIS, which involves up to 10% of the total number of issued shares of the Company at any point in time throughout the duration of the LTIS, is for the employees and directors of the Group who are eligible in accordance with the By-Laws governing the LTIS. The LTIS is administered by a committee appointed and duly authorised by the Board in accordance with the By-Laws.

The LTIS will be in force for a period of six (6) years commencing from 2 August 2021 and may be extended for a further period of up to 4 years immediately from the expiry of the first six years.

**ESOS**

On 3 August 2021, the Company granted 159,400,000 share options ("ESOS") pursuant to the LTIS to selected eligible employees and directors of the Group. The ESOS will be vested on a 3 year-cliff vesting, i.e. 100% will be vested on 31 August 2024, subject to the Company's share price performance. Employees must remain in service for a period of 3 years from the date of grant up to vesting date. The fair value of the ESOS is estimated at the date of grant using a Monte-Carlo simulation model blended with Black-Scholes model, taking into account the terms and conditions on which the ESOS were granted. The model simulates the share price and takes into account historical and expected dividends, risk-free rate, and the share price volatility of the Company so as to predict the share performance.

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**32. Share-based payments (cont'd.)**

**ESOS (cont'd.)**

The exercise price of the ESOS is RM0.74 which is equal to the 5-day Volume-weighted average market price ("VWAP") of the shares immediately preceding the date of the ESOS award, with a discount of not more than ten per cent (10%). The vesting period and exercise period of the ESOS will be limited to the duration that the LTIS is in force. There is no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

The expense recognised for employee services received during the year are as follows:

	<b>Group 2021 RM'000</b>	<b>Company 2021 RM'000</b>
Expense arising from equity-settled share-based payment transactions	<u>5,777</u>	<u>38</u>

There were no cancellations or modifications to the award in 2021.

**Movements during the year**

The following table illustrates the number of, and movements in, ESOS during the year.

	<b>2021 '000</b>
Outstanding at 1 January	-
Granted during the year	159,400
Forfeited during the year	<u>(7,800)</u>
Outstanding at 31 December	<u>151,600</u>

The fair value of options granted during the year was RM0.282.

The exercise price for ESOS outstanding at the end of the year was RM0.7425.

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**32. Share-based payments (cont'd.)**

The following table list the inputs to the model used for the ESOS for the year ended 31 December 2021:

	<b>Share options granted on 3 Aug 2021</b>
Fair value at the measurement date (RM)	0.282
Expected volatility (%)	53.874
Risk-free interest rate per annum (%)	2.242
Expected life of ESOS (years)	6
Model used	Monte-Carlo blended with Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

**33. Merger deficit**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January and 31 December	<u>(5,507,594)</u>	<u>(5,507,594)</u>

On 16 April 2018, the Company completed the internal reorganisation. Consequently, the merger deficit represents the difference between the purchase consideration to acquire AAB and the share capital of AAB.

Further, the Company has accounted for the acquisition of AAB Group as a continuation of the acquired entity. Therefore, the share capital of AAB is reflected as a merger reserve as at 31 December 2017.

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**34. Reserves****Group**

	<b>Remeasurement gain on employee benefits liability RM'000</b>	<b>Cash flow hedge reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Share option reserves RM'000 (Note 34.1)</b>	<b>RCUIDS reserves RM'000 (Note 34.2)</b>	<b>Warrant reserves RM'000 (Note 34.3)</b>	<b>Total RM'000</b>
<b>At 1 January 2021</b>	(18,640)	(101,222)	(105,506)	-	-	-	(225,368)
Net change in fair value	5,284	43,248	102,805	-	-	-	151,337
Deferred tax recognised in other comprehensive income	26	(10,525)	-	-	-	-	(10,499)
Issuance of RCUIDS	-	-	-	-	154,360	112,736	267,096
Share-based payment expensed	-	-	-	5,968	-	-	5,968
Transfer of fair value reserve of disposed investment securities to retained earnings	-	-	(27,213)	-	-	-	(27,213)
<b>At 31 December 2021</b>	<b>(13,330)</b>	<b>(68,499)</b>	<b>(29,914)</b>	<b>5,968</b>	<b>154,360</b>	<b>112,736</b>	<b>161,321</b>

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**34. Reserves (cont'd.)****Group**

	<b>Remeasurement gain on employee benefits liability RM'000</b>	<b>Cash flow hedge reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Share option reserves RM'000</b>	<b>RCUIDS reserves RM'000</b>	<b>Warrant reserves RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2020</b>	4,833	38,466	103,768	-	-	-	147,067
Net change in fair value	(22,956)	(72,760)	(209,274)	-	-	-	(304,990)
Deferred tax recognised in other comprehensive income	(517)	24,196	-	-	-	-	23,679
Amounts transferred to income statements	-	(22,625)	-	-	-	-	(22,625)
Share of other comprehensive income of an associate	-	(68,499)	-	-	-	-	(68,499)
<b>At 31 December 2020</b>	<b>(18,640)</b>	<b>(101,222)</b>	<b>(105,506)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(225,368)</b>

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**34. Reserves (cont'd.)****Company**

	<b>Fair value reserve RM'000</b>	<b>Share option reserves RM'000</b>	<b>RCUIDS reserves RM'000</b>	<b>Warrant reserves RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2021</b>	(81,901)	-	-	-	(81,901)
Net change in fair value	81,901	-	-	-	81,901
Share-based payment expensed	-	-	-	-	-
Issuance of RCUIDS	-	-	154,360	112,736	267,096
Implementation of LTIS	-	6,044	-	-	6,044
<b>At 31 December 2021</b>	<b>-</b>	<b>6,044</b>	<b>154,360</b>	<b>112,736</b>	<b>273,140</b>
<b>At 1 January 2020</b>	60,345	-	-	-	60,345
Net change in fair value	(142,246)	-	-	-	(142,246)
<b>At 31 December 2020</b>	<b>(81,901)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81,901)</b>

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**34. Reserves (cont'd.)**

**34.1 Share option reserves**

The share option reserves is used to recognise the value of equity-settled share based payments provided to selected eligible employees and directors of the Group, as part of their remuneration. Refer to Note 32 for further details of this plan.

**34.2 RCUIDS reserves**

The RCUIDS reserves comprise the equity component of the RCUIDS. It represents the residual of the RCUIDS after deducting the fair value of the liability component and the embedded derivative component. The amount is presented net of transaction costs and deferred tax liabilities.

During the financial year, no RCUIDS were converted into ordinary shares. The number of RCUIDS outstanding as at 31 December 2021 was 1,299,350,959.

**34.3 Warrant reserves**

On 31 December 2021, the Company issued 649,675,479 warrants ("Warrants") pursuant to the Rights Issue of RCUIDS. The Warrants is constituted by a deed poll dated 18 November 2021. The warrant reserve comprises the fair value of the free detachable warrants arising from the Rights Issue.

The salient features of the Warrants are as follows:

- (a) Each Warrant entitles the registered holder to subscribe for one new ordinary share of the Company at an exercise price of RM1.00 per Warrant at any time during the period from 31 December 2021 up to expiry date of the Warrants on 31 December 2028;
- (b) The new ordinary shares to be issued upon the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing ordinary shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which the entitlement date precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the Warrants;
- (c) Any Warrants which have not been exercised at the expiry date of the Warrants on 31 December 2028 shall lapse and cease to be valid for any purposes.

As at 31 December 2021, 649,675,479 Warrants remain unexercised.



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### 35. Commitments

Capital commitments not provided for in the financial statements are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment:		
- Approved and contracted for	<u>97,163,376</u>	<u>124,855,115</u>

The approved and contracted for capital commitments for the Group are in respect of aircraft purchase. The future commitments of aircraft purchase are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	7,688,395	6,466,929
Later than 5 years	89,474,981	118,388,186
	<u>97,163,376</u>	<u>124,855,115</u>

### 36. Segmental information

Operating segments are reported in a manner consistent with the internal management reporting provided to the Board of Directors. On 27 January 2022, the shareholders have approved the change of the Company name to Capital A Berhad. The change of name offers a better reflection of the Group's core business and its future undertakings in tandem with its rapid transformation as it has gone beyond its beginnings as an airline into a digital travel and lifestyle services group which continues to gain strong momentum. This structural change would help facilitate strong projected growth in the Group's portfolio businesses. It will also set the tone of the Group as it expands into new horizons and allay concerns of being a group that was intrinsically an airline.

Consequently, the segmental information provided to the Board of Directors of the Company had been improved to reflect the focus on portfolio of businesses. The comparative segmental information have been restated to reflect the current classification.

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**36. Segmental information (cont'd.)**

The segmental information provided to the GCEO for the reportable segments are as follows:

	Aviation RM'000	Engineering RM'000	airasia Super App RM'000	Teleport RM'000	BigPay RM'000	Others RM'000	Total Segments RM'000	Elimination adjustments RM'000	Total RM'000
<b>2021</b>									
Revenue	1,573,022	101,333	150,016	551,231	21,615	15,574	2,412,791	(576,605)	1,836,186
Staff costs	(485,307)	(72,215)	(113,338)	(37,800)	(28,828)	(59,714)	(797,202)	1,564	(795,638)
Fuel costs	(393,941)	-	-	-	-	-	(393,941)	-	(393,941)
Maintenance and overhaul	(811,808)	(5,795)	-	-	-	-	(817,603)	336,984	(480,619)
User charges and other related expenses	(228,940)	-	(34,010)	(574,062)	-	(50)	(837,062)	76,525	(760,537)
Other operating expenses	(381,690)	(10,124)	(140,025)	(3,475)	(111,217)	(29,789)	(676,320)	134,128	(542,192)
Other income	550,543	-	(1,782)	7,319	287	52	556,419	(444,715)	111,704
EBITDA	(178,121)	13,199	(139,139)	(56,787)	(118,143)	(73,927)	(552,918)	(472,119)	(1,025,037)
Depreciation & amortisation									(1,820,572)
Interest expense									(679,807)
Interest income									35,314
Net fair value gains on derivatives									31,377
Share of results of associates/joint venture									(45,227)
Foreign exchange loss									(71,084)
Loss before tax									<u>(3,575,036)</u>

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**36. Segmental information (cont'd.)**

	<b>Aviation RM'000</b>	<b>Engineering RM'000</b>	<b>SuperApp RM'000</b>	<b>Teleport RM'000</b>	<b>BigPay RM'000</b>	<b>Others RM'000</b>	<b>Total Segments RM'000</b>	<b>Elimination adjustments RM'000</b>	<b>Total RM'000</b>
<b>2021 (cont'd.)</b>									
Segment assets	26,742,724	291,062	345,851	141,321	293,384	1,963,411	29,777,753	(10,352,151)	19,425,602
Unallocated corporate assets									165,397
Associates									438,004
Joint ventures									878
Total assets									<u>20,029,881</u>
Segment liabilities	36,528,419	62,044	421,944	161,505	434,889	764,111	38,372,912	(12,742,565)	25,630,347
Unallocated corporate liabilities									822,437
Total liabilities									<u>26,452,784</u>

There is no single customer who contributed to 10% or more of the Group's total revenue.

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**36. Segmental information (cont'd.)**

The segmental information provided to the GCEO for the reportable segments are as follows:

	Aviation RM'000	Engineering RM'000	SuperApp RM'000	Teleport RM'000	BigPay RM'000	Others RM'000	Total Segments RM'000	Elimination adjustments RM'000	Total RM'000
<b>2020</b>									
Revenue	3,047,503	19,027	117,363	295,126	17,606	1,473	3,498,098	(223,699)	3,274,399
Staff costs	(1,038,339)	(18,355)	(47,740)	(17,161)	(22,316)	(22,907)	(1,166,818)	637	(1,166,181)
Fuel costs	(1,962,679)	-	-	-	-	-	(1,962,679)	-	(1,962,679)
Maintenance and overhaul	(636,931)	-	-	-	-	-	(636,931)	103,185	(533,746)
User charges and other related expenses	(652,545)	-	(34,373)	(274,300)	-	(512)	(961,730)	258,163	(703,567)
Other operating expenses	(1,881,555)	(263)	(60,600)	(10,033)	(78,443)	(249,600)	(2,280,494)	(319,706)	(2,600,200)
Other income	794,499	-	14,373	1,394	1	11,942	822,209	(479,491)	342,718
EBITDA	(2,330,047)	409	(10,977)	(4,974)	(83,152)	(259,604)	(2,688,345)	(660,911)	(3,349,256)
Depreciation & amortisation									(2,072,998)
Interest expense									(713,651)
Interest income									115,944
Net fair value losses on derivatives									(141,953)
Share of results of associates/joint venture									(63,515)
Gain on disposal of investment in an associate									152,911
Fair value of retained interest in a previous associate									76,456
Foreign exchange gain									444,763
Loss before tax									<u>(5,551,299)</u>

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### 36. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

	<b>Aviation RM'000</b>	<b>Engineering RM'000</b>	<b>SuperApp RM'000</b>	<b>Teleport RM'000</b>	<b>BigPay RM'000</b>	<b>Others RM'000</b>	<b>Total Segments RM'000</b>	<b>Elimination adjustments RM'000</b>	<b>Total RM'000</b>
<b>2020 (cont'd.)</b>									
Segment assets	26,576,191	28,536	288,743	105,582	125,092	1,054,297	28,178,441	(8,796,694)	19,381,747
Associates									482,754
Joint ventures									1,332
Total assets									<u>19,865,833</u>
Segment total liabilities	32,090,663	21,292	117,453	42,030	343,027	821,921	33,436,386	(10,000,759)	<u>23,435,627</u>

There is no single customer who contributed to 10% or more of the Group's total revenue.

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**37. Significant related party transactions**

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

Entities listed under investment in subsidiaries, associates and joint ventures are all considered related parties. Further, the following party with common shareholders and/or directors are also considered related parties for disclosure purposes.

- (i) AirAsia X Berhad
- (ii) Tune Insurance Malaysia Berhad
- (iii) Queens Park Rangers Holdings Ltd
- (iv) Thai AirAsia X Co. Ltd
- (v) PT Indonesia AirAsia Extra
- (vi) Tune Money International Sdn Bhd

All related party transactions were carried out on agreed terms and conditions.

Related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Income:</b>				
Aircraft lease income owned and leased aircraft				
- Thai AirAsia Co. Ltd	197,400	7,369	-	-
Office rental income				
- AirAsia X Berhad	3,384	1,029	-	-
In-flight entertainment system and software charged by Rokki Sdn Bhd				
- AirAsia X Berhad	-	1,183	-	-
Ground handling services charged by Ground Team Red Sdn Bhd				
- AirAsia X Berhad	3,412	7,769	-	-

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**37. Significant related party transactions (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Income (cont'd.):</b>				
Sale of loyalty point from BIGLIFE Sdn Bhd				
- AirAsia X Berhad	-	1,707	-	-
- Thai AirAsia Co. Ltd	1,206	6,855	-	-
- Thai AirAsia X Co. Ltd	-	612	-	-
Turnaround charges and marketing funds charged by AirAsia (Guangzhou) Aviation Service Limited				
- AirAsia X Berhad	101	3,225	-	-
Travelling - Accommodation charged by Tune Hotel	883	-	-	-
Fees charged to associates and related parties providing commercial air transport services	-	37,487	-	-
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	1,230	-	-	-

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**37. Significant related party transactions (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Recharges:</b>				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	-	416,161	-	-
- AirAsia X Berhad	15,322	229,777	-	-
- AirAsia (India) Limited	155,942	116,905	-	-
- PT Indonesia AirAsia Extra	-	3,056	-	-
- Thai AirAsia X Co. Ltd	6,447	171,993	-	-
- AirAsia Japan Co., Ltd	-	9,061	-	-
<b>(c) Other income/(expenses):</b>				
Maintenance reserve fund charged to				
- Thai AirAsia Co. Ltd	62,451	160,851	-	-
- AirAsia (India) Limited	4,470	33,905	-	-
- PT Indonesia AirAsia Extra	-	10,438	-	-
- AirAsia Japan Co., Ltd	-	6,472	-	-
Purchase of cargo transportation capacity				
- AirAsia X Berhad	-	86,273	-	-
Purchase of charter spaces				
- AirAsia X Berhad	203,706	-	-	-
- Thai AirAsia X Co. Ltd.	173,087	-	-	-
Provision of lounge services				
- AirAsia X Berhad	-	280	-	-
Management fees paid to AirAsia SEA Ltd (formerly known as AirAsia Group (IHQ) Ltd)	18,754	-	(72)	(10,467)



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**37. Significant related party transactions (cont'd.)**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(c) Other income/(expenses)</b>				
<b>(cont'd.):</b>				
Loyalty point redemption				
- AirAsia X Berhad	-	(3,693)	-	-
- Thai AirAsia Co. Ltd	(3,461)	(9,758)	-	-
- Thai AirAsia X Co. Ltd	-	(1,103)	-	-
Management fees charged to associates and related parties	47	5,596	-	-

**38. Financial instruments**

	<b>Measured at amortised costs</b>	<b>Measured at FVTPL</b>	<b>Measured at FVOCI</b>	<b>Total</b>
	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>
<b>Group</b>				
<b>31 December 2021</b>				
<b>Financial assets as per statements of financial position</b>				
Investment securities (Note 15)	-	44	200	244
Receivables (excluding prepayments and deposits for aircraft maintenance)	652	-	-	652
Amounts due from associates (Note 23)	67	-	-	67
Amounts due from related parties (Note 24)	134	-	-	134
Deposits on aircraft purchase (Note 19)	610	-	-	610
Derivative financial instruments (Note 20)	-	165	-	165
Deposits, cash and bank balances (Note 25)	1,257	-	-	1,257
Finance lease receivables (Note 29)	490	-	-	490
<b>Total</b>	<b>3,210</b>	<b>209</b>	<b>200</b>	<b>3,619</b>

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**38. Financial instruments (cont'd.)**

<b>Group (cont'd.)</b>	<b>Liabilities at FVTPL RM'mil</b>	<b>Other liabilities RM'mil</b>	<b>Total RM'mil</b>
<b>31 December 2021</b>			
<b>Financial liabilities as per statements of financial position</b>			
Borrowings (Note 28)	-	2,310	2,310
Derivative financial instruments (Note 20)	33	-	33
Trade and other payables (Note 26)	-	2,602	2,602
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 27)	-	2,502	2,502
Amounts due to associates (Note 23)	-	43	43
Amounts due to related parties (Note 24)	-	130	130
Lease liabilities (Note 29)	-	14,295	14,295
<b>Total</b>	<b>33</b>	<b>21,882</b>	<b>21,915</b>

<b>Group</b>	<b>Measured at amortised costs RM'mil</b>	<b>Measured at FVTPL RM'mil</b>	<b>Measured at FVOCI RM'mil</b>	<b>Total RM'mil</b>
<b>31 December 2020</b>				
<b>Financial assets as per statements of financial position</b>				
Investment securities (Note 15)	-	93	379	472
Receivables (excluding prepayments and deposits for aircraft maintenance)	738	-	-	738
Amounts due from associates (Note 23)	360	-	-	360
Amounts due from related parties (Note 24)	107	-	-	107
Deposits on aircraft purchase (Note 19)	590	-	-	590
Derivative financial instruments (Note 20)	-	-	78	78
Deposits, cash and bank balances (Note 25)	534	-	-	534
Finance lease receivables (Note 29)	938	-	-	938
<b>Total</b>	<b>3,267</b>	<b>93</b>	<b>457</b>	<b>3,817</b>

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**38. Financial instruments (cont'd.)**

	<b>Liabilities at FVTPL RM'mil</b>	<b>Other financial liabilities RM'mil</b>	<b>Total RM'mil</b>
<b>Group (cont'd.)</b>			
<b>31 December 2020</b>			
<b>Financial liabilities as per statements of financial position</b>			
Borrowings (Note 28)	-	1,289	1,289
Derivative financial instruments (Note 20)	65	135	200
Trade and other payables (Note 26)	-	2,782	2,782
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 27)	-	2,377	2,377
Amounts due to associates (Note 23)	-	36	36
Amounts due to related parties (Note 24)	-	50	50
Lease liabilities (Note 29)	-	12,435	12,435
<b>Total</b>	<b>65</b>	<b>19,104</b>	<b>19,169</b>
	<b>Measured at amortised costs RM'mil</b>	<b>Measured at FVTPL RM'mil</b>	<b>Total RM'mil</b>
<b>Company</b>			
<b>31 December 2021</b>			
<b>Assets as per statements of financial position</b>			
Amount due from a subsidiary (Note 22)	1,092	-	1,092
Amounts due from associates (Note 23)	10	-	10
Amounts due from related parties (Note 24)	1	-	1
Deposits, cash and bank balances (Note 25)	562	-	562
Derivative financial instruments (Note 20)	-	165	165
	<b>1,665</b>	<b>165</b>	<b>1,830</b>

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**38. Financial instruments (cont'd.)**

		<b>Other financial liabilities RM'mil</b>	
<b>Company</b>			
<b>31 December 2021</b>			
<b>Liabilities as per statements of financial position</b>			
Trade and other payables (Note 26)			8
Amounts due to subsidiaries (Note 22)			213
			<u>221</u>
	<b>Measured at amortised costs RM'mil</b>	<b>Measured at FVOCI RM'mil</b>	<b>Total RM'mil</b>
<b>31 December 2020</b>			
<b>Assets as per statements of financial position</b>			
Investment securities (Note 15)	-	175	175
Amount due from a subsidiary (Note 22)	546	-	546
Deposits, cash and bank balances (Note 25)	1	-	1
	<u>547</u>	<u>175</u>	<u>722</u>
		<b>Other financial liabilities RM'mil</b>	
<b>Liabilities as per statements of financial position</b>			
Trade and other payables (Note 26)			7
Amounts due to subsidiaries (Note 22)			462
			<u>469</u>

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### 39. Financial risk management policies

The Group is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Financial risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks.

The policies in respect of the major areas of treasury activities are as follows:

#### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

##### (i) Fuel price risk

The Group is exposed to jet fuel price risk and seek to hedge its fuel requirements using fuel swaps (Note 20). If a barrel of jet fuel/Brent oil at 31 December 2021 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity are as follows:

	2021		2020	
	+USD5 RM'mil	-USD5 RM'mil	+USD5 RM'mil	-USD5 RM'mil
Impact on other comprehensive income	-	-	26	(26)

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### **39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

#### **(a) Market risk (cont'd.)**

##### **(ii) Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

The Group manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 20).

If interest rate on USD denominated borrowings at 31 December 2021 and 31 December 2020 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 20).

If interest rate on USD denominated borrowings at 31 December 2021 and 31 December 2020 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post-tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments are as follows:

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**39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

**(a) Market risk (cont'd.)**

**(ii) Interest rate risk (cont'd.)**

	<b>2021</b>		<b>2020</b>	
	<b>+60bps</b>	<b>-60bps</b>	<b>+60bps</b>	<b>-60bps</b>
	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>
Impact on post tax profits	<u>(15)</u>	<u>(47)</u>	<u>(44)</u>	<u>(86)</u>

The remaining terms of the outstanding interest rate derivative contracts of the Group at balance sheet date, which are all denominated in USD, are as follows:

	<b>2021</b>	<b>2020</b>
	<b>RM'mil</b>	<b>RM'mil</b>
Later than 1 year but less than 5 years:		
Interest rate caps	-	-
Interest rate swaps	-	-
Later than 5 years:		
Interest rate swaps	688	734
Cross currency interest rate swaps	-	-
	<u>688</u>	<u>734</u>

**(iii) Foreign currency risk**

The Group is exposed to foreign currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

As at 31 December 2021, the Group has not hedged any of its USD denominated borrowings.

In prior year, the Group has not hedged any of its USD denominated borrowings.

The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure profile of financial instruments denominated in currencies other than the functional currency is presented in the respective financial asset and financial liabilities notes.

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### **39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

#### **(b) Credit risk**

Credit risk is the risk of financial loss to the Group and the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash and cash equivalents and other financial assets.

The Group's and the Company's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables, deposits for aircraft purchase and derivative financial instruments. As the Group and the Company do not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet. Prepayment for engine maintenance to the service provider are also deemed by the Group as having credit risk in the event counterparties do not fulfill the obligation.

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

The Group generally has no concentration of credit risk arising from trade receivables.

#### **(c) Liquidity and cash flow risk**

The Group's and the Company's policy on liquidity risk management is to maintain sufficient cash and cash equivalents and to have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

Following the COVID-19 pandemic, the liquidity of the Group is impacted as it is influenced by the booking and payment pattern of passengers which saw a decline. Further details are as disclosed in Note 45.

The management will continue to monitor liquidity reserves and rolling cash flow forecasts throughout the year based on the measures put in place as disclosed in Note 45 and also potential impact from events outside the Group's control.



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**39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

**(c) Liquidity and cash flow risk (cont'd.)**

The table below analyses the Group's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities and the Company's payables into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

<b>Group</b>	<b>Less than 1 year RM'mil</b>	<b>1-2 years RM'mil</b>	<b>2-5 years RM'mil</b>	<b>Over 5 years RM'mil</b>
<b>At 31 December 2021</b>				
Term loans	418	104	720	68
Revolving credit	78	1	5	2
Swap creditors loan	220	-	-	-
Trade and other payables (Note 26)	2,309	293	-	-
Aircraft maintenance payables	81	66	51	-
Lease liabilities	1,952	1,864	5,017	6,199
Amounts due to associates	43	-	-	-
Amounts due to related parties	130	-	-	-
	<u>5,231</u>	<u>2,328</u>	<u>5,793</u>	<u>6,269</u>
<b>At 31 December 2020</b>				
Term loans	354	57	156	120
Revolving credit	121	-	-	-
Swap creditors loan	602	6	-	-
Trade and other payables (Note 26)	2,509	273	-	-
Aircraft maintenance payables	194	579	433	1,432
Lease liabilities	2,252	2,000	4,619	4,647
Amounts due to associates	36	-	-	-
Amounts due to related parties	50	-	-	-
	<u>6,118</u>	<u>2,915</u>	<u>5,208</u>	<u>6,199</u>

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**39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

**(c) Liquidity and cash flow risk (cont'd.)**

<b>Company</b>	<b>Less than 1 year RM'mil</b>	<b>1-2 years RM'mil</b>	<b>2-5 years RM'mil</b>	<b>Over 5 years RM'mil</b>
<b>At 31 December 2021</b>				
Trade and other payables	8	-	-	-
Amounts due to subsidiaries	213	-	-	-
	<u>221</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 December 2020</b>				
Trade and other payables	7	-	-	-
Amounts due to subsidiaries	462	-	-	-
	<u>469</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Group</b>	<b>Less than 1 year RM'mil</b>	<b>1-2 years RM'mil</b>	<b>2-5 years RM'mil</b>	<b>Over 5 years RM'mil</b>
<b>At 31 December 2021</b>				
Net-settled derivatives				
Trading	-	-	-	-
Hedging	-	-	-	688
	<u>-</u>	<u>-</u>	<u>-</u>	<u>688</u>
<b>At 31 December 2020</b>				
Net-settled derivatives				
Trading	-	-	-	65
Hedging	115	-	-	-
	<u>115</u>	<u>-</u>	<u>-</u>	<u>65</u>

**(d) Capital risk management**

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

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**39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

**(d) Capital risk management (cont'd.)**

In order to optimise the capital structure, or the capital allocation amongst the Group's and the Company's various businesses, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

The Group's and the Company's overall strategy remains unchanged from 2019.

Consistent with others in the industry, the Group and the Company monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short-term and long-term borrowings" as shown in the Group's and the Company's balance sheet) add lease liabilities less deposit, cash and bank balances.

The net gearing ratio as at 31 December 2021 and 31 December 2020 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>
Total borrowings (Note 28)	2,310	1,289	-	-
Lease liabilities (Note 29)	14,295	12,435	-	-
Less: Deposit, cash and bank balances (Note 25)	<u>(1,257)</u>	<u>(534)</u>	<u>(562)</u>	<u>(1)</u>
Net debts	<u>15,348</u>	<u>13,190</u>	<u>(562)</u>	<u>(1)</u>
Total equity	<u>(6,423)</u>	<u>(3,570)</u>	<u>9,299</u>	<u>8,547</u>
Net Gearing Ratio (times)	N/A	N/A	N/A	N/A

During the financial year, the Group's operations were significantly affected by the COVID-19 pandemic which led to operating losses. The Group has been relying on debt compared to its equity to finance the Group's operations which resulted in a negative net gearing ratio.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2021 and 31 December 2020.

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### 39. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

#### (e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

#### Determination of fair value and fair value hierarchy

The Group's financial instruments are measured in the statement of financial position at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's and Company's assets and liabilities that are measured at fair value.

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
<b>Group</b>				
<b>31 December 2021</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Early redemption option	-	165	-	165
Investment securities	81	44	119	244
	<u>81</u>	<u>209</u>	<u>119</u>	<u>409</u>

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**39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

**(e) Fair value measurement (cont'd.)**

The following table presents the Group's and Company's assets and liabilities that are measured at fair value. (cont'd.)

	<b>Level 1 RM'mil</b>	<b>Level 2 RM'mil</b>	<b>Level 3 RM'mil</b>	<b>Total RM'mil</b>
<b>Group</b>				
<b>31 December 2021 (cont'd.)</b>				
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	33	-	33
	<b>Level 1 RM'mil</b>	<b>Level 2 RM'mil</b>	<b>Level 3 RM'mil</b>	<b>Total RM'mil</b>
<b>Group</b>				
<b>31 December 2020</b>				
<b>Assets</b>				
Derivatives used for hedging	-	78	-	78
Investment securities	220	92	160	472
	220	170	160	550
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	65	-	65
Derivatives used for hedging	-	135	-	135
	-	200	-	200

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**39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

**(e) Fair value measurement (cont'd.)**

The following table presents the Group's and Company's assets and liabilities that are measured at fair value. (cont'd.)

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>
<b>Company</b>				
<b>31 December 2021</b>				
<b>Assets</b>				
Financial assets at fair value				
through profit or loss				
- Early redemption option	-	165	-	165
<b>31 December 2020</b>				
<b>Assets</b>				
Investment securities	133	43	-	176

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and Company then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's and Company's over the counter ("OTC") derivatives. Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

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**39. Financial risk management policies (cont'd.)**

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

**(e) Fair value measurement (cont'd.)**

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and Company then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's and Company's over the counter ("OTC") derivatives. Specific valuation techniques used to value financial instruments include: (cont'd.)

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques, including discounted cash flow projections.

**40. Unconsolidated structured entities**

The Group has set up Merah entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Group enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the Group to possess and operate each of the Airbus A320 aircraft financed under the facility.

The SPC are orphan trust companies in which the Group has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2021. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group upon the purchase of the aircraft.

The Group does not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

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**40. Unconsolidated structured entities (cont'd.)**

The details of the Merah entities are as follows:

<b>Name</b>	<b>Incorporation</b>	<b>Purpose</b>
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sebelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empatbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enambelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company

All the above entities are in the process of dissolution.



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#### 41. Reclassification

On 27 January 2022, the shareholders have approved the change of the Company name to Capital A Berhad. The change of name offers a better reflection of the Group's core business and its future undertakings in tandem with its rapid transformation as it has gone beyond its beginnings as an airline into a digital travel and lifestyle services group which continues to gain strong momentum.

Following the expansion of the core business, to better reflect the revenue generation sources, the Group reclassified the digital travel and lifestyle services revenues from other income to revenue. The corresponding changes had been made to the revenue and other income of prior years as disclosed below:

	<b>As previously disclosed RM'000</b>	<b>Reclassi- fication RM'000</b>	<b>As restated RM'000</b>
Revenue	3,131,213	143,186	3,274,399
Other income	471,561	(128,843)	342,718
Other operating expenses	<u>(2,585,857)</u>	<u>(14,343)</u>	<u>(2,600,200)</u>

Comparatives for receivables and prepayments, and trade and other payables were restated to conform to current year's presentation as disclosed below:

	<b>As previously disclosed RM'000</b>	<b>Reclassi- fication RM'000</b>	<b>As restated RM'000</b>
Receivables and prepayments	903,294	201,775	1,105,069
Trade and other payables	<u>(2,307,125)</u>	<u>(201,775)</u>	<u>(2,508,900)</u>

#### 42. Significant events

(i) Private placement

During the financial year, the Company completed the private placement of 470.2 million shares at RM336.5 million as disclosed in Note 31.

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**42. Significant events (cont'd.)**

(ii) Acquisition of remaining 20% equity interest in BIGLIFE Sdn Bhd

On 21 June 2021, the Group completed acquisition of the remaining equity interest in BIGLIFE for a purchase consideration of RM103 million to be satisfied wholly via issuance of 85.9 million new ordinary shares of the Company at an issue price of RM1.20 per share as disclosed in Note 12 and Note 31 respectively.

(iii) Acquisition of Velox Technology (Thailand) Co Ltd

On 27 July 2021, the Group completed the acquisition of Velox Technology (Thailand) Co Ltd. for a purchase consideration of USD40 million (equivalent to RM167 million). The impact of the acquisition is as disclosed in Note 12.

(iv) Acquisition of DeliverEat Sdn Bhd

On 4 November 2021, the Group acquired 100% of the equity interest in DeliverEat, a local Malaysia food delivery platform, valued at USD9.8 million (equivalent to RM41 million). The impact of the acquisition is as disclosed in Note 12.

(v) Restructuring of AAV

On 15 December 2021, the Group completed its disposal of its shares in TAA and acquired shares in Asia Aviation Public Company Limited ("AAV"), the holding company of TAA. Further information and impact of the said restructuring is as disclosed in Note 14.

(vi) Completion of RCUIDS

On 12 July 2021, the Company announced that it proposed to undertake a renounceable rights issue of up to RM1,024,058,370 in nominal value of a 7 year RCUIDS of RM0.75 on the basis of 2 RCUIDS with 1 free detachable warrant for every 6 ordinary shares in the Company. Based on the nominal value of the RCUIDS of RM0.75 each, the Proposed Rights Issue will result in the issuance of up to 1,365,411,160 RCUIDS together with up to 682,705,580 new warrants.

The above proposal was approved by shareholders at an Extraordinary General Meeting held on 11 November 2021 and the RCUIDS exercise is completed on 31 December 2021 as disclosed in Note 28.

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#### **43. Other matters**

##### Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

In prior years, AirAsia Berhad ("AAB"), a wholly owned subsidiary of the Company, received a Writ of Summons and Statement of Claim ("Claim") dated 10 December 2018 and on 31 January 2019, Malaysia Airports (Sepang) Sdn Bhd ("MASSB") filed claims at the High Court of Malaya at Kuala Lumpur, claiming the additional RM23 per Passenger Services Charges ("PSC") which AAB was required to collect effective 1 July 2018.

On 18 July 2019, the Kuala Lumpur High Court, inter alia, allowed MASSB's application for summary judgment against AAB and ordered AAB to pay MASSB:

- (a) RM9,395,856.50 in outstanding PSC and RM90,055.50 in outstanding LPC for Suit 816; and
- (b) RM4,614,329.00 in outstanding PSC and RM40,577.47 in outstanding LPC for Suit 58.

On 22 July 2019, AAB filed appeals in the Court of Appeal against the aforesaid High Court decision.

On 18 September 2019, AAB paid a sum of RM14 million (being the amounts specified in the Garnishee Show Cause Orders dated 23 August 2019) to MASSB to defray the garnishee execution proceedings. The payment was made by AAB without prejudice to AAB's rights, including AAB's rights in the appeals made in relation to the judgement order dated 18 July 2019 and any connected interlocutory applications.

On 2 October 2019, AAB filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a sum of RM479.8 million, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

Following to above, on 22 January 2021, MASSB filed a supplementary affidavit in an attempt to adduce fresh evidence in these appeals. On 5 February 2021, the Company filed motions to adduce fresh evidence in these appeals. In view of these developments, the hearing proper of the appeals were adjourned, pending the disposal of the Company's motions to adduce fresh evidence and MASSB's supplementary affidavits.

On 24 March 2021, the Court of Appeal allowed the Company's motions to adduce fresh evidence and Supplementary Records of Appeal consisting of the fresh evidence were filed on 5 April 2021 and served on 6 April 2021.

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**43. Other matters (cont'd.)**

Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB") (cont'd.)

On 14 April 2021, the Court of Appeal gave directions for the filing of written submissions and fixed the appeals for:

- (a) e-Review case management on 12 January 2022; and
- (b) e-appellate hearing by Zoom on 27 January 2022.

The appeals were heard on 27 January 2022.

On 3 March 2022, the Court of Appeal dismissed AAB's four (4) appeals against the High Court's two (2) summary judgments and two (2) orders dismissing AAB's application to strike out MASSB's claim for outstanding Passenger Service Charges. The appeals were dismissed with costs of RM10,000.00 for each appeal, subject to payment of allocator fee.

On 1 April 2022, AAB filed motions for leave to appeal to the Federal Court against the dismissal of the four (4) PSC Appeals on 3 March 2022 by the Court of Appeal. These applications are fixed for Case Management on 9 May 2022.

Kuala Lumpur High Court Civil Suit No. WA-23NCvC-56-10/2019  
AIRASIA BERHAD & AIRASIA X BERHAD V MALAYSIA AIRPORTS (SEPANG) SDN BHD

On 2 October 2019, AAB (together with AirAsia X Berhad) filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a sum of RM479.8 million, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

AAB and AAX subsequently filed an amended statement of claim on 23 December 2019 and a reply on 26 December 2019.

AAB and AAX applied for an application to expunge an affidavit filed by MASSB ("Expungement Application") on 12 March 2021. MASSB subsequently applied to strike out the whole suit ("Striking Out Application") and also applied for further and better particulars ("FBP Application") on 30 March 2021. MASSB's FBP Application is held over pending the disposal of the Striking Out Application.

MASSB's Striking Out Application was heard on 14 February 2022. The High Court dismissed the Striking Out Application on 25 March 2022 with costs in the cause.

MASSB lodged an application for further and better particulars ("FBP Application") over the disposal of the Striking Out Application.

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**43. Other matters (cont'd.)**

Kuala Lumpur High Court Civil Suit No. WA-23NCvC-56-10/2019  
AIRASIA BERHAD & AIRASIA X BERHAD V MALAYSIA AIRPORTS (SEPANG) SDN BHD  
(cont'd.)

At the Case Management on 4 April 2022, the High Court fixed the FBP Application to be heard before the High Court Judicial Commissioner on 22 June 2022. A further case management is scheduled after the hearing takes place.

**44. Subsequent event**

On 14 January 2022, the Company announced that it has become an affected listed issuer pursuant to Paragraph 8.04 and Paragraph 2.1 (a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). As an affected listed issuer, the Company is required to submit a regularisation plan to address the PN17 status within 12 months from 14 January 2022 to the relevant authorities for approval. The management of the Company is currently in the process of formulating a regularisation plan.

**45. COVID-19 Pandemic**

The world was affected by the COVID-19 pandemic, resulting in an economic recovery slowdown and adversely impacting various businesses specifically the tourism and hospitality industries. Year 2021 was even more challenging than Year 2020 for the Group, given that international flight operations were disrupted for the full year, as opposed to just the second to fourth quarters previously. However, the situation picked up towards year end when the effects of mass vaccination began to be evident. Along with a decline in COVID-19 infections, travel lanes started to emerge followed by the gradual opening of domestic and, to a slight extent, international borders.

The Group reported a net loss of RM3,721 million for the financial year ended 31 December 2021 compared to a net loss of RM5,888 million from the previous year and the current liabilities exceeded its current assets by RM6,754 million (2020: RM5,902 million) as at 31 December 2021. In addition, the Group also reported a shareholders' deficit of RM3,382 million (2020: RM1,214 million). The Company reported a net loss of RM64 million (2020: RM262 million) for the financial year ended 31 December 2021.

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**45. COVID-19 Pandemic (cont'd.)**

Arising from the COVID-19 pandemic, the Group and the Company have implemented several measures related to fund-raising, revision of business plans in conjunction with the ease of travel restrictions and continuous efforts to enforce cost control measures. These efforts are on-going as the Group and the Company continue to seek support from their vendors and business partners to address its cash flow requirements. The following measures had been taken, with further additional efforts to be taken:

**(a) Funding**

The Group has undertaken several funding initiatives including restructuring and renegotiation of leases, private placements, issuance of RCUIDS, disposal and divestment of investments and assets and bank and lessors financing amounted to approximately RM3 billion.

The Group is also currently in various stages of discussions with lenders and investors for debt and equity fundraising amounting to approximately RM1.5 billion.

**(b) Working Capital Management**

As at 31 December 2021, the Group had completed restructuring of total 81 aircraft leases and currently in discussion with its lessors to further negotiate the restructuring of the remaining leases to waive the lease rentals in arrears as well as reducing future lease rates with a corresponding longer lease term where necessary. The lease rentals deferred as at 31 December 2021 is disclosed in Note 29 to the financial statements.

During the financial year, the Group has significantly reduced its cash burn rate through various cost containment and optimisation exercises including:

- Right sizing of manpower and salary cuts for management, staff and directors;
- Reskilling, upskilling and moving operational manpower across functions within our ecosystem of online travel and lifestyle business during the downturn in travel; and
- Negotiation of deferrals with vendors, service providers, suppliers and other business partners.

**(c) Capacity and Network Management and Marketing Activities**

With the airline recent developments, in the fourth quarter of 2021 the Aviation Group carried 2.7 million passengers and recorded the highest load factor of 80% since the beginning of the pandemic and a year-to-date load factor of 74%. The performance indicated a V-shaped resumption of travelling demand in domestic market in 2021. The Group is well positioned to serve the pent-up leisure travel demand with the revision the business plans and marketing supports given the right operating environment and reasonable actions by key stakeholders.

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**45. COVID-19 Pandemic (cont'd.)**

(c) Capacity and Network Management and Marketing Activities (cont'd.)

During the first quarter of 2022, the Aviation Group have been bringing more aircraft out of hibernation as travel restrictions gradually ease, in order to meet strong pent-up demand. The Group implements continuous flight capacity and network revenue management in response to global travel resumption and the current progressive uplifting of travel restriction by the respective countries. This can be seen through effective fleet management, with management making timely decisions to either reinstate flights or hibernate the fleet as and when necessary. The capacity of the flights moves in tandem with local regulatory requirements and developments of the active COVID-19 cases of the corresponding flight destinations.

The Group consistently monitors the route profitability and concentrates its recovery on the most profitable and popular routes. Due to this uncertainty, the Group had and will continue to adjust future available capacity to match observed booking trends for future travel to optimise the load factors of each flight.

The Group believes that all these signs point towards regional air travel returning to a certain degree of normalcy within the year and that international air travel will recover rapidly throughout 2022 and the years ahead.

(d) Synergistic Travel and Lifestyle Businesses

Throughout the year, the Group has transformed to be more than an airline. The Group has reshaped, restructured and expanded the Group to become a digital travel and lifestyle services Group. The pandemic accelerated the growth to fully transform the Group into an investment holding company and ultimately create an ecosystem of synergistic lifestyle brand under business verticals comprising AirAsia Aviation Group, airasia Super App, logistics venture Teleport, BigPay fintech service, the airline engineering business Asia Digital Engineering and venture arm Redbeat Capital. The digital transformation which commenced even before the pandemic has already received overwhelming support to-date through various fundraising initiatives.

Despite the disruption caused by the new variant of concern, Omicron, the recovery of the airline industry in 2021 has improved compare to the previous year. With the recent positive development where the governments in Asean countries gradually easing the travel restriction and reduce or remove onerous entry requirements, the management is confident that the aviation group is moving in a positive direction and is expected to rebound stronger and continuing to grow larger with a lean operating structure.

**Capital A Berhad**  
**(formerly known as AirAsia Group Berhad)**  
**(Incorporated in Malaysia)**

**45. COVID-19 Pandemic (cont'd.)**

**(d) Synergistic Travel and Lifestyle Businesses (cont'd.)**

Accordingly, the Directors are of the opinion that the going concern basis used in the preparation of financial statements is appropriate and no adjustments was necessary to be made to the financial statements relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities. Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.