

**CAPITAL A BERHAD**  
**201701030323 (1244493-V)**  
**SECOND QUARTER REPORT ENDED 30 JUNE 2023**

**ANNOUNCEMENT**

The Board of Directors of Capital A Berhad (“Capital A” or “the Company”) hereby announces the following unaudited consolidated results of Capital A and its subsidiaries (collectively known as “the Group”) for the period ended 30 June 2023.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/6/2023 RM'000	30/6/2022 RM'000	30/6/2023 RM'000	30/6/2022 RM'000
Revenue:	10				
- Aviation		2,844,385	1,291,593	5,042,467	1,892,971
- Logistic		165,609	98,838	317,575	245,785
- Digital and others		141,137	75,004	320,802	138,462
		3,151,131	1,465,435	5,680,844	2,277,219
Operating expenses:					
- Staff costs		(474,698)	(288,783)	(902,127)	(550,093)
- Aircraft fuel expenses		(1,128,623)	(700,804)	(2,086,764)	(1,049,167)
- Fuel swap losses		-	-	-	-
- Maintenance and overhaul		(481,518)	(176,945)	(548,764)	(323,258)
- User charges and other related expenses		(484,553)	(172,698)	(789,607)	(262,663)
- Logistic expenses		(130,473)	(104,518)	(248,483)	(239,303)
- Technology and IT related expenses		(61,264)	(43,316)	(129,766)	(100,056)
- Other operating expenses	11(i)	(86,996)	111,825	(173,558)	27,761
Other income	11(ii)	158,940	18,408	162,399	19,589
<b>EBITDA</b>		<b>461,946</b>	<b>108,604</b>	<b>964,174</b>	<b>(199,971)</b>
Depreciation and amortisation		(30,768)	(29,157)	(68,533)	(63,825)
Depreciation on right of use asset	12(i)	(354,185)	(342,893)	(680,187)	(689,009)
Finance income	13	48,384	16,318	58,148	32,801
Finance costs - lease liabilities	12(ii)	(235,975)	(171,410)	(405,059)	(331,603)
Finance costs	13	(125,078)	(72,761)	(132,454)	(150,921)
<b>Net operating profit/(loss)</b>		<b>(235,676)</b>	<b>(491,299)</b>	<b>(263,911)</b>	<b>(1,402,528)</b>
Foreign exchange loss	13	(158,586)	(345,395)	(113,813)	(398,125)
Fair value gain on derivatives		(13,531)	13,699	(13,531)	44,313
Gain on remeasurement of previously held interest in associate	17	1,369,258	-	1,369,258	-
Share of results of associates/joint venture		(24,360)	(291,478)	(11,008)	(434,597)
<b>Profit/(loss) before taxation</b>		<b>937,105</b>	<b>(1,114,473)</b>	<b>966,995</b>	<b>(2,190,937)</b>
Tax expense	14	(11,662)	(6,377)	(15,538)	(7,122)
Deferred taxation	14	3,919	-	3,919	-
<b>Net profit/(loss) for the financial period</b>		<b>929,362</b>	<b>(1,120,850)</b>	<b>955,376</b>	<b>(2,198,059)</b>
Attributable to:					
- Owners of the company		1,118,281	(931,224)	1,175,376	(1,835,016)
- Non-controlling interests		(188,919)	(189,625)	(220,000)	(363,043)
		<b>929,362</b>	<b>(1,120,850)</b>	<b>955,376</b>	<b>(2,198,059)</b>

*The Condensed Income Statement in compliance with MFRS 134.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended	Quarter ended	Period ended	Period ended
	30/6/2023 RM'000	30/6/2022 RM'000	30/6/2023 RM'000	30/6/2022 RM'000
<b>Net profit/(loss) for the financial period</b>	929,362	(1,120,850)	955,376	(2,198,059)
Other comprehensive expense				
Remeasurement loss on employee benefits liability, net of tax	4,969	70	5,922	3,830
Fair value reserve	38,293	(16,458)	77,708	(14,918)
Cash flow hedges	-	(1)	-	(3,862)
Foreign currency translation differences	(1,576,850)	(478,180)	(1,506,596)	(533,465)
<b>Total comprehensive expense</b>	<b>(604,226)</b>	<b>(1,615,419)</b>	<b>(467,590)</b>	<b>(2,746,474)</b>
Total comprehensive expense attributable to:				
Owners of the Company	(413,365)	(1,425,890)	(245,648)	(2,383,431)
Non-controlling interests	(190,861)	(189,528)	(221,942)	(363,043)
	<b>(604,226)</b>	<b>(1,615,418)</b>	<b>(467,590)</b>	<b>(2,746,474)</b>

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

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	AS AT 30/6/2023 RM'000	AS AT 31/12/2022 RM'000
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	15	1,456,869	882,893
Right of use assets	15	12,449,517	10,182,126
Investment property		67,718	-
Finance lease receivables	15	-	260,820
Investment in associates	17	406,799	924,312
Investment in joint venture		-	220
Investment securities	16	199,731	114,534
Intangible assets	26	4,698,958	748,350
Deferred tax assets		1,385,032	739,238
Receivables and prepayments	18	4,179,431	3,564,648
Deposits on aircraft purchase		628,045	576,034
Derivative financial instruments	23	16,171	165,397
		25,488,271	18,158,572
<b>CURRENT ASSETS</b>			
Inventories		293,365	204,459
Receivables and prepayments	18	925,952	650,972
Finance lease receivables	15	-	114,975
Amounts due from associates		55,302	166,437
Amounts due from related parties		251,057	154,921
Derivative financial instruments	23	1,569	-
Tax recoverable		7,652	7,208
Deposits, bank and cash balances		735,003	469,985
		2,269,900	1,768,957
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	3,936,316	2,878,562
Aircraft maintenance provisions and liabilities	20	1,560,495	599,895
Sales in advance		2,024,943	1,428,011
Amounts due to associates		4,547	266,126
Amounts due to related parties		397,169	230,291
Borrowings	21	724,973	530,958
Short-term debentures	24	98,156	-
Current portion of long term debentures	25	186,741	-
Lease liabilities	22	5,238,802	4,340,844
Derivative financial instruments		4,476	-
Provision of taxation		32,013	3,336
		14,208,631	10,278,023
<b>NET CURRENT LIABILITIES</b>		<b>(11,938,731)</b>	<b>(8,509,066)</b>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Note	AS AT 30/6/2023 RM'000	AS AT 31/12/2022 RM'000	
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	19	288,010	280,801
Aircraft maintenance provisions and liabilities	20	5,106,261	5,538,224
Borrowings	21	2,964,246	2,405,756
Non-current portion of long term debentures	25	194,722	-
Lease liabilities	22	14,472,833	10,717,036
Deferred tax liabilities		540,019	154,905
Provision for retirement benefits		188,082	69,742
Derivative financial instruments		53	-
		23,754,226	19,166,464
		<b>(10,204,687)</b>	<b>(9,516,958)</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		8,659,652	8,654,977
Merger deficit		(5,507,594)	(5,507,594)
Other reserves		266,894	204,020
Foreign exchange reserve		(1,657,962)	(153,308)
Accumulated losses		(10,151,810)	(8,923,188)
		(8,390,820)	(5,725,093)
Non-controlling interests		(1,813,867)	(3,791,865)
Total equity		<b>(10,204,687)</b>	<b>(9,516,958)</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<b>(2.01)</b>	<b>(1.47)</b>

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

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to owners of the Company												Non-controlling interests RM'000	Total equity RM'000	
	Number of shares '000	Share Capital RM'000	Merger Deficit RM'000	Foreign exchange reserve RM'000	Share-based payments RM'000	RCUIDS - equity RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Fair value and other reserves RM'000	Convertible debentures equity component RM'000	Remeasurement loss on employee benefits liability RM'000	Accumulated losses RM'000			Total RM'000
<b>At 1 January 2023</b>	4,161,793	8,654,977	(5,507,594)	(153,308)	16,614	126,831	112,736	-	(45,673)	-	(6,488)	(8,923,188)	(5,725,093)	(3,791,865)	(9,516,958)
Net profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	1,175,376	1,175,376	(220,000)	955,376
Gain on remeasurement of previously held interest in associate	-	-	-	-	-	-	-	-	-	159,251	-	-	159,251	(128,333)	30,917
Acquisition of a non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,403,998)	(2,403,998)	2,328,274	(75,725)
Other comprehensive income	-	-	-	(1,504,654)	-	-	-	-	77,708	-	5,922	-	(1,421,024)	(1,942)	(1,422,966)
Issuance of new shares	6,669	4,675	-	-	-	-	-	-	-	-	-	-	4,675	-	4,675
Conversion of RCUIDS/Warrant reserve	-	-	-	-	-	(125,097)	(56,702)	-	-	-	-	-	(181,799)	-	(181,799)
Share-based payment expensed	-	-	-	-	1,792	-	-	-	-	-	-	-	1,792	-	1,792
<b>At 30 June 2023</b>	<b>4,168,462</b>	<b>8,659,652</b>	<b>(5,507,594)</b>	<b>(1,657,962)</b>	<b>18,406</b>	<b>1,734</b>	<b>56,034</b>	<b>-</b>	<b>32,035</b>	<b>159,251</b>	<b>(566)</b>	<b>(10,151,810)</b>	<b>(8,390,820)</b>	<b>(1,813,867)</b>	<b>(10,204,687)</b>
<b>At 1 January 2022</b>	3,898,053	8,457,172	(5,507,594)	(118,439)	5,968	154,360	112,736	(68,499)	(29,914)	-	(13,330)	(6,374,760)	(3,382,300)	(3,040,603)	(6,422,903)
Net loss for the financial year	-	-	-	-	-	-	-	-	-	-	-	(1,835,016)	(1,835,016)	(363,043)	(2,198,059)
Other comprehensive income	-	-	-	(533,466)	-	-	-	(3,862)	(14,918)	-	3,830	-	(548,416)	-	(548,416)
Issuance of new shares	263,740	197,805	-	-	-	-	-	-	-	-	-	-	197,805	-	197,805
Dilution of interest in subsidiary	-	-	-	-	-	-	-	-	-	-	-	86,181	86,181	(84,081)	2,100
Share-based payment expensed	-	-	-	-	6,079	-	-	-	-	-	-	-	6,079	-	6,079
<b>At 30 June 2022</b>	<b>4,161,793</b>	<b>8,654,977</b>	<b>(5,507,594)</b>	<b>(651,905)</b>	<b>12,047</b>	<b>154,360</b>	<b>112,736</b>	<b>(72,361)</b>	<b>(44,832)</b>	<b>-</b>	<b>(9,500)</b>	<b>(8,123,595)</b>	<b>(5,475,667)</b>	<b>(3,487,727)</b>	<b>(8,963,394)</b>

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

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>PERIOD ENDED</b>	<b>PERIOD ENDED</b>
	<b>30/6/2023</b>	<b>30/6/2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	966,995	(2,190,937)
Adjustments:		
Property, plant and equipment		
- Depreciation	67,708	62,581
- Gain on disposal	(204)	(134)
- Write Off	710	239
Rights of Use Asset		
- Depreciation	680,187	689,009
Intangible assets		
- Amortisation	825	1,244
Provision for retirement benefit	7,732	9,353
Aircraft maintenance provisions	-	41,903
Impairment of receivables, related parties, joint ventures and investment securities	(3,025)	44,191
Reversal of impairment loss on right of use asset	-	(228,970)
Fair value gain on derivative financial instruments	13,531	(44,313)
Share of results of associates and joint venture	11,008	434,597
Gain on remeasurement of previously held interest in associate	(1,369,257)	-
Net unrealised foreign exchange (gains)/losses	18,756	379,885
Share-based payments	1,792	6,079
Interest expense	132,454	150,921
Interest on lease liabilities	405,059	331,603
Interest income	(58,148)	(32,801)
	876,124	(345,551)
<b>Changes in working capital</b>		
Inventories	(39,826)	3,601
Receivables and prepayments	13,312	158,105
Trade and other payables and provisions	(81,389)	(212,371)
Sales in advance	41,329	264,238
Intercompany balances	302,586	57,910
<b>Cash generated from/(used in) operations</b>	<b>1,112,135</b>	<b>(74,068)</b>
Interest paid	(93,633)	(91,501)
Interest received	1,950	1,443
Tax (paid)/refund, net	(4,548)	611
Retirement benefit paid	(2,261)	(3,586)
<b>Net cash generated from/(used in) operating activities</b>	<b>1,013,643</b>	<b>(167,101)</b>

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>PERIOD ENDED</b>	<b>PERIOD ENDED</b>
	<b>30/6/2023</b>	<b>30/6/2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment		
- Additions	(58,638)	(11,015)
- Proceeds from disposal	9	569
Subsidiary, net of cash acquired	228,428	-
Additional investment in an associate	-	(176,280)
Acquisition of other investments	(4,620)	(4,402)
Deposits paid for aircraft purchase/leased engines	(16,717)	(11,353)
<b>Net cash generated from/(used in) investing activities</b>	<b>148,462</b>	<b>(202,481)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	130,989	924,493
Repayment of borrowings and lease liabilities	(1,107,380)	(1,175,717)
Acquisition of non-controlling interests	(52,061)	-
<b>Net cash used in financing activities</b>	<b>(1,028,452)</b>	<b>(251,224)</b>
<b>NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD</b>	<b>133,654</b>	<b>(620,806)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>469,985</b>	<b>1,256,753</b>
<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>131,364</b>	<b>(4,251)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>735,003</b>	<b>631,696</b>

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

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

**1. Basis of preparation**

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

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

**2. Summary of significant accounting policies**

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

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

**3. Auditors' report on preceding annual financial statements**

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

**4. Seasonality of operations**

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

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

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

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

**6. Changes in composition of the Group**

- (a) On 9 December 2022, the Group announced that AirAsia Aviation Group Limited (“AAGL”), the aviation arm of the Group, signed a Joint Venture (“JV”) agreement with Sivilai Asia to establish AirAsia Cambodia. On 3 April 2023, AIRASIA (CAMBODIA) CO., LTD. was incorporated with 500,000 ordinary shares with par value of USD1 per share. AAGL has subscribed for 255,000 paid-up share capital with consideration of USD0.25 million, representing 51% of the total paid-up capital.
- (b) On 16 May 2023, AA Com Travel Philippines, Inc (“ACTP”) a subsidiary of the Group, entered into a Share Sale and Purchase Agreement (“SPA”) with F&S Holdings, Inc. to acquire the remaining 3,585,063 shares of AirAsia, Inc. (“AAI”), the parent company of Philippine Airasia, Inc. (“PAA”), representing 60% of the total outstanding shares, for a consideration of USD16 million. Effectively, AAI and PAA became wholly owned subsidiaries of the Group. The effect of the acquisition is reflected below and in the statement of changes in equity.

The additional interest acquired in AAI is as follows:

	<b>RM million</b>
Cash consideration paid/payable to non-controlling interests	75.7
Carrying value of the additional interest in AAI	<u>2,328.3</u>
Difference recognised in retained earnings	<u>2,404.0</u>

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

**7. Changes in estimates**

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

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

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

During the financial period ended 30 June 2023, the Company issued 6,668,731 new ordinary shares at a total value of RM4.7 million under the conversion of RCUIDS and Warrants.

Apart from the above, there are no issuances, cancellation, repurchase, resale and repayment of debt and equity securities for the period ended 30 June 2023.

**9. Dividends paid and proposed**

No dividend has been proposed during the period ended 30 June 2023.

**10. Revenue**

	<b>Quarter ended 30/6/2023 RM million</b>	<b>Quarter ended 30/6/2022 RM million</b>
<u>Aviation revenue</u>		
Passenger revenue		
- seat sales	2,271.2	1,091.7
- others	498.7	190.9
Aircraft operating lease income	74.5	9.0
	2,844.3	1,291.6
Engineering	18.9	4.3
Logistic	165.6	98.9
<u>Digital &amp; Others revenue</u>		
- airasia Superapp	89.7	44.2
- BigPay	11.0	7.2
- Others	21.5	19.5
	3,151.1	1,465.4

**11. (i) Other operating expenses**

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

**(ii) Other income**

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

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**12. (i) Depreciation on right of use asset**

	Quarter ended 30/6/2023 RM million	Quarter ended 30/6/2022 RM million
Operating aircraft	267.5	174.3
Non-operating aircraft	72.0	167.9
Others	14.7	0.7
	<u>354.2</u>	<u>342.9</u>

**(ii) Finance costs - lease liabilities**

	Quarter ended 30/6/2023 RM million	Quarter ended 30/6/2022 RM million
Operating aircraft	132.0	82.9
Non-operating aircraft	104.0	88.5
	<u>236.0</u>	<u>171.4</u>

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

	Quarter ended 30/6/2023 RM million	Quarter ended 30/6/2022 RM million	Period ended 30/6/2023 RM million	Period ended 30/6/2022 RM million
<b>(a) Finance income</b>				
Interest income from:				
- deposits with licensed banks	1.3	0.4	2.0	0.8
- from associates	0.3	1.8	0.4	3.0
- finance lease receivables	29.6	14.1	38.6	28.3
Discounting effect on financial instruments and others	17.1	0.1	17.1	0.7
	<u>48.4</u>	<u>16.4</u>	<u>58.1</u>	<u>32.8</u>
<b>(b) Finance costs</b>				
Bank borrowings	(36.1)	(27.8)	(68.9)	(56.2)
RCUIDS profit payment facilities and other charges	(15.6)	(15.5)	(30.9)	(30.7)
	<u>(73.4)</u>	<u>(29.5)</u>	<u>(32.6)</u>	<u>(64.0)</u>
	<u>(125.1)</u>	<u>(72.8)</u>	<u>(132.5)</u>	<u>(150.9)</u>
<b>(c) Foreign exchange gain/(loss)</b>				
- realized	(99.4)	(16.2)	(95.1)	(18.2)
- unrealized	(59.2)	(329.1)	(18.8)	(379.9)
	<u>(158.6)</u>	<u>(345.3)</u>	<u>(113.8)</u>	<u>(398.1)</u>

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**14. Income tax and Deferred tax**

**Income tax expense**

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

**Deferred taxation**

RM3,919,000 deferred tax has been recognised for the period ended 30 June 2023.

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

(a) acquisition and disposals

During the period ended 30 June 2023, the Group acquired property, plant and equipment with a total cost of RM58.6 million (period ended 30 June 2022: RM11.0 million).

During the period ended 30 June 2023, the Group received proceeds from the disposal of property, plant and equipment of RM0.01 million (period ended 30 June 2022: RM0.6 million).

(b) revaluation

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

(c) impairment

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

During the period ended 30 June 2022, there was a reversal of impairment on ROU assets previously provided of RM229.0 million.

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**16. Quoted investments and properties**

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

**17. Investments in associates**

	<b>As at 30/6/2023 RM million</b>	<b>As at 31/12/2022 RM million</b>
<b>Cost</b>		
Investment	576.4	1,850.4
Share of results and reserves	(110.4)	(866.9)
Impairment loss	(59.2)	(59.2)
	406.8	924.3

MFRS128 provides that entities discontinue recognising their share of further losses when its share of the losses equals to or exceeds its interest in the associate. As at 30 June 2023, the Group has recognised all losses in these associates.

During the quarter, investment in associates of the Group at cost of RM759.8 million and accumulated share of losses of RM254.8 million was deemed acquired as a subsidiary of the Group.

Deemed acquisition of a subsidiary

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

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**17. Investments in associates (cont'd.)**

The gain on remeasurement of previously held interest in associate immediately before obtaining control are as follows:

	<b>RM million</b>
Fair value of previously held interest	1,874.3
Less: Carrying amount of previously held interest	<u>(505.0)</u>
Gain on remeasurement of previously held interest	<u>1,369.3</u>

Details of the assets, liabilities and net cash outflow arising from the deemed acquisition of AAV are as follows:

	<b>Fair value recognised on acquisition RM million</b>	<b>Carrying amount RM million</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	549.9	549.9
Investment property	67.7	67.7
Right of use assets	3,255.2	3,255.2
Intangible assets	1,971.9	3,143.0
Investment securities	2.3	2.3
Derivative assets	0.1	0.1
Deferred tax assets	652.4	652.4
	<u>6,499.4</u>	<u>7,670.5</u>

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**17. Investments in associates (cont'd.)**

	<b>Fair value recognised on acquisition RM million</b>	<b>Carrying amount RM million</b>
<b>Current assets</b>		
Inventories	36.1	36.1
Receivables and prepayments	630.7	630.7
Amounts due from related parties	378.0	378.0
Tax recoverable	32.1	32.1
Derivative assets	0.1	0.1
Deposits, bank and cash balances	228.4	228.4
	<u>1,305.4</u>	<u>1,305.4</u>
<b>Total assets</b>	<u>7,804.9</u>	<u>8,976.0</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	435.4	435.4
Long-term debentures - net of current portion	333.3	333.3
Lease liabilities	3,521.7	3,521.7
Derivative liabilities	11.1	11.1
Provision for retirement benefits	103.3	103.3
Deferred tax liabilities	394.3	394.3
	<u>4,799.1</u>	<u>4,799.1</u>
<b>Current liabilities</b>		
Trade and other payables	1,121.1	1,121.1
Aircraft maintenance provisions and liabilities	340.4	340.4
Sales in advance	502.6	502.6
Borrowings	198.7	198.7
Current portion of long-term debentures	188.8	188.8
Short-term debentures	99.2	99.2
Derivative liabilities	0.2	0.2
Lease liabilities	779.9	779.9
	<u>3,230.9</u>	<u>3,230.9</u>
<b>Total liabilities</b>	<u>8,030.0</u>	<u>8,030.0</u>

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**17. Investments in associates (cont'd.)**

	<b>As at 31/5/2023 RM million</b>
Fair value of net identifiable liabilities	(225.1)
Less: Non-controlling interests' share of profit at 57%	128.3
Group's interest in fair value of net identifiable assets	(96.8)
Goodwill on acquisition	799.9
Deemed net assets acquired by the Group	703.1

	<b>As at 31/5/2023 RM million</b>
Cost of acquisition	-
Less: Cash and cash equivalents of subsidiary acquired	(228.4)
Net cash inflow on deemed acquisition of a subsidiary	(228.4)

\* The cost of acquisition is nil as this is a deemed acquisition of a subsidiary.

**18. Receivables and prepayments**

	<b>As at 30/6/2023 RM million</b>	<b>As at 31/12/2022 RM million</b>
<u>Non-current</u>		
Prepayments	2,954.8	2,853.4
Deposits and other receivables	1,224.6	711.2
	4,179.4	3,564.6
<u>Current</u>		
Trade and other receivables	633.3	498.9
Prepayments	136.6	142.2
Deposits	156.1	9.8
	926.0	650.9

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

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**19. Trade and other payables**

	<b>As at 30/6/2023 RM million</b>	<b>As at 31/12/2022 RM million</b>
<u>Non-current</u>		
Other payables	288.0	280.8
<u>Current</u>		
Trade payables	1,226.0	1,242.9
Other payables	895.8	410.8
Accruals for fuel	327.5	127.0
Others	1,487.0	1,097.9
	<u>3,936.3</u>	<u>2,878.6</u>

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

**20. Aircraft maintenance provision and liabilities**

	<b>As at 30/6/2023 RM million</b>	<b>As at 31/12/2022 RM million</b>
Aircraft maintenance provisions	1,416.7	1,913.1
Aircraft maintenance payables	2,503.1	2,235.7
Aircraft maintenance reserve funds	2,747.0	1,989.3
	<u>6,666.8</u>	<u>6,138.1</u>
Current	1,560.5	599.9
Non Current	5,106.3	5,538.2
	<u>6,666.8</u>	<u>6,138.1</u>

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

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

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**21. Borrowings**

	<b>As at 30/6/2023 RM million</b>	<b>As at 31/12/2022 RM million</b>
<u>Short term</u>		
Term loans	428.0	233.6
Revolving credit	16.0	31.8
Convertible loan note	280.9	265.6
	<u>725.0</u>	<u>531.0</u>
<u>Long term</u>		
Term loans	1,760.7	1,302.4
Other facility	456.4	447.8
RCUIDS	747.2	655.5
	<u>2,964.2</u>	<u>2,405.7</u>
Total	<u>3,689.2</u>	<u>2,936.7</u>

The currency profile of borrowings are as follows:

	<b>As at 30/6/2023 RM million</b>	<b>As at 31/12/2022 RM million</b>
Ringgit Malaysia	962.6	901.8
US Dollar	1,934.1	1,735.1
Philippine Peso	86.9	83.1
Thai Baht	660.7	172.8
Indonesian Rupiah	45.2	43.9
	<u>3,689.2</u>	<u>2,936.7</u>

On 28 March 2023, Asia Digital Engineering (“ADE”), a wholly owned subsidiary of the Company, secured a senior secured loan facility of USD100 million from a non-financial institution. As of 30 June 2023, USD25 million has been drawn down.

On 26 June 2023, Thai AirAsia Co., Ltd (“TAA”), a wholly owned subsidiary of Asia Aviation Public Company Limited (“AAV”), entered into a long-term loan agreement with a financial institution for a floating interest rate loan facility of THB1,000 million. As at 30 June 2023, the long-term loan facility amounting to THB1,000 million remains undrawn.

As of 30 June 2023, a total of RM4.7 million RCUIDS converted into ordinary shares.

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**22. Lease liabilities**

The lease liabilities amounting to RM19.7 billion includes deferred aircraft leases of approximately RM2.7 billion. The lease liabilities are supported by ROU assets of RM12.4 billion.

The Group had completed the restructuring of a total of 157 aircraft leases up to the date of this report including the waiver of lease rentals in arrears, as well as reducing future lease rates with a corresponding longer lease term, where necessary, and return of aircraft.

**23. Derivative financial instruments**

(a) Early redemption option

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

(b) Forward Foreign Exchange Contracts

As at 30 June 2023, Group has foreign exchange forward contracts that were measured or disclosed at fair value.

(c) Interest Rate Hedging

As at 30 June 2023, the Group has interest rate swaps agreements that were measured or disclosed at fair value.

**24. Short-term debentures**

TAA issued 750,000 units of short-term unsubordinated debentures guaranteed by AAV at a unit price of THB1,000 each, carrying interest at a rate of 6.00 percent per annum.

**25. Long-term debentures**

	<b>As at 30/6/2023 RM million</b>
Current portion of long-term debentures	187.9
Less: Front-end fee	(1.2)
Total current portion of long term debentures - net	186.7
Long term debentures - net of current portion	196.9
Less: Front-end fee	(2.2)
Total non-current portion of long term debentures - net	194.7
Total	381.5

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**26. Intangible assets**

	Goodwill	Landing rights	Internally developed software	Total
	RM million	RM million	RM million	RM million
<u>Cost</u>				
At 1 January 2023	361.3	443.9	41.5	846.7
Acquisition of a subsidiary	1,971.1	1,971.9	-	3,943.0
Exchange differences	1.3	-	7.4	8.7
At 30 June 2023	2,333.7	2,415.8	48.9	4,798.4
<u>Accumulated Amortisation and Impairment</u>				
At 1 January 2023	87.8	-	10.5	98.3
Addition	-	-	0.83	0.83
Exchange differences	-	-	0.27	0.27
At 30 June 2023	87.8	-	11.6	099.4
Carrying amount as at:				
1 January 2023	273.5	443.9	31.0	748.4
30 June 2023	2,245.9	2,415.8	37.3	4,699.0

**27. Contingent assets**

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

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

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

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

Capital commitments for property, plant and equipment:

	As at 30/6/2023 RM million	As at 31/12/2022 RM million
Approved and contracted for	109,077	102,609

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**30. Material related party transactions**

Significant related party transactions which were entered into on agreed terms and conditions for the quarter ended 30 June 2023 are set out below:

	<b>Quarter ended 30/6/2023 RM million</b>	<b>Quarter ended 30/6/2022 RM million</b>
1. Transaction of the Group with associates of a subsidiary		
a. Purchase of cargo transportation capacity		
- Thai AirAsia	3.6	1.5
b. Commission charged		
- Thai AirAsia	28.9	10.3
c. Management fees		
- Thai AirAsia	3.5	13.0
d. Aircraft maintenance services		
- Thai AirAsia	0.8	0.3
2. Transaction of the Group with companies with common directors and shareholders		
a. Purchase of cargo transportation capacity		
- AirAsia X	33.2	55.2
- Thai AirAsia X	26.7	6.1
b. Management fees		
- AirAsia X	1.9	0.2
- Thai AirAsia X	1.5	-
c. Wet lease		
- AirAsia X	-	1.6
d. Commission charged		
- AirAsia X	12.0	-
e. Aircraft maintenance service		
- AirAsia X	6.5	-
- Thai AirAsia X	4.3	-
f. Brand licence fee		
- AirAsia X	8.3	-
- Thai AirAsia X	10.6	-

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**31. Review of Group Performance**

The segmental information for the reportable segments for the quarters ended 30 June 2023 and 30 June 2022 are as follows:

	Aviation RM'000	Engineering RM'000	Teleport RM'000	SuperApp RM'000	BigPay RM'000	Santan RM'000	Others RM'000	Total Segments RM'000	Elimination adjustments RM'000	Total RM'000
<b>QTD</b>										
<b>30/06/2023</b>										
Revenue	2,886,316	137,939	166,990	169,554	11,040	25,947	67,637	3,465,423	(314,292)	3,151,131
Staff costs	(320,222)	(38,515)	(18,018)	(43,077)	(733)	(3,967)	(47,117)	(471,649)	(3,049)	(474,698)
Fuel costs	(1,128,623)	-	-	-	-	-	-	(1,128,623)	-	(1,128,623)
Maintenance and overhaul	(547,442)	(56,203)	(1,881)	(476)	-	(13)	-	(606,015)	124,497	(481,518)
User charges and other related expenses	(572,457)	(23)	(130,262)	(24,537)	2,267	(16,791)	(1,460)	(743,263)	66,973	(676,290)
Other operating expenses	(70,065)	(6,364)	(7,709)	(61,829)	(24,100)	(3,667)	(35,516)	(209,250)	122,254	(86,996)
Other income	157,194	-	35	102	96	726	787	158,940	-	158,940
<b>EBITDA</b>	<b>404,701</b>	<b>36,834</b>	<b>9,155</b>	<b>39,737</b>	<b>(11,430)</b>	<b>2,235</b>	<b>(15,669)</b>	<b>465,563</b>	<b>(3,617)</b>	<b>461,946</b>
Depreciation & amortisation										(384,953)
Interest expense										(361,053)
Interest income										48,384
Derivative gain										(13,531)
Gain on remeasurement of previously held interest in associate										1,369,258
Share of results of associates/joint venture										(24,360)
<b>Segment results</b>										<b>1,095,691</b>
Foreign exchange loss										(158,586)
Profit before taxation										<u>937,105</u>

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**31. Review of Group Performance (cont'd.)**

The segmental information for the reportable segments for the periods ended 30 June 2023 and 30 June 2022 are as follows: (cont'd.)

	Aviation RM'000	Engineering RM'000	Teleport RM'000	SuperApp RM'000	BigPay RM'000	Santan RM'000	Others RM'000	Total Segments RM'000	Elimination adjustments RM'000	Total RM'000
<b>QTD</b>										
<b>30/06/2022</b>										
Revenue	1,377,247	75,332	98,838	82,046	7,198	1,274	1,644	1,643,579	(178,144)	1,465,435
Staff costs	(185,409)	(23,769)	(13,372)	(41,170)	(15,738)	(770)	(11,426)	(291,654)	2,871	(288,783)
Fuel costs	(700,804)	-	-	-	-	-	-	(700,804)	-	(700,804)
Maintenance and overhaul	(234,942)	(14,865)	(8)	-	-	-	-	(249,815)	72,870	(176,945)
User charges and other related expenses	(217,277)	-	(104,518)	(23,716)	(1,477)	(579)	(22)	(347,589)	70,373	(277,216)
Other operating expenses	95,282	(9,785)	(6,234)	(16,233)	(22,895)	(484)	(7,713)	31,938	36,571	68,509
Other income	17,942	-	(2)	-	489	-	1	18,430	(22)	18,408
<b>EBITDA</b>	<b>152,039</b>	<b>26,913</b>	<b>(25,296)</b>	<b>927</b>	<b>(32,423)</b>	<b>(559)</b>	<b>(17,516)</b>	<b>104,085</b>	<b>4,519</b>	<b>108,604</b>
Depreciation & amortisation										(372,050)
Interest expense										(244,171)
Interest income										16,318
Derivative gain										13,699
Share of results of associates/joint venture										(291,478)
<b>Segment results</b>										<b>(769,078)</b>
Foreign exchange loss										(345,395)
Loss before taxation										<u>(1,114,473)</u>

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**31. Review of Group Performance (cont'd.)**

*Consolidated Group Performance*

Driven by the revival of air travel during the period, the Group reported a revenue of RM3,151.1 million for 2Q2023. The reported revenue was more than double the revenue in the same period of 2022. The increase was mainly attributed to the strong recovery in demand from both domestic and international travel.

In the second quarter, 92% of the Group's revenue was attributed to the aviation segment while 5% of revenue was derived from the logistics business, 2% from the digital and other businesses and the remaining 1% was contributed by the engineering business.

The Group reported a positive EBITDA of RM461.9 million in 2Q2023 as compared to a EBITDA of RM108.6 million in 2Q2022 following the improvement in the overall performance of the aviation segment. The Group reported a net profit of RM929.4 million in 2Q2023 as compared to a net loss of RM1,120.9 million in 2Q2022. The current quarter recorded a gain of RM1,369.3 million from remeasurement of an associate to subsidiary, Asia Aviation Public Company Limited Group ("AAV"), in June 2023 and foreign exchange loss of RM158.6 million due to the appreciation of USD against the local currencies of the Group during the quarter.

The foreign currency translation difference in 2Q2023 of RM 1,576.9 million recognised in the foreign exchange reserve, mainly arising from translation of lease liabilities and receivables denominated in USD.

**Cashflow commentary for current quarter against corresponding quarter**

<b>Net Cash Flow</b>	<b>Period ended 30/6/2023 RM million</b>	<b>Period ended 30/6/2022 RM million</b>
Cash from/(to) Operating activities	1,013.6	(167.1)
Cash from/(to) Investing activities	148.5	(202.5)
Cash from/(to) Financing activities	(1,028.5)	(251.2)
Net cash flow for the Period	133.6	(620.8)

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

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**31. Review of Group Performance (cont'd.)**

**(a) Aviation**

**Performance indicators**

	Apr to June 2023	Apr to June 2022	Change %	YTD 2023	YTD 2022	Change %
Passengers Carried	11,088,629	5,558,125	100%	19,664,991	9,307,362	111%
Capacity	12,726,758	6,592,952	93%	22,520,846	11,534,084	95%
Seat Load Factor	87%	84%	3	87%	81%	7
RPK (million)	12,868	5,278	144%	22,597	8,508	166%
ASK (million)	15,027	6,380	136%	26,229	10,668	146%
Average Fare (RM)	205	214	-4%	207	181	15%
Unit Passenger Revenue (RM)	254	252	1%	256	215	19%
Revenue / ASK (sen)	18.72	21.95	-15%	19.16	18.79	2%
Revenue / ASK (US cents)	4.22	5.05	-17%	4.28	4.27	0%
Cost / ASK (sen)	22.23	30.42	-27%	21.15	31.44	-33%
Cost / ASK (US cents)	5.01	6.99	-28%	4.72	7.14	-34%
Cost / ASK-ex Fuel (sen)	14.72	19.44	-24%	13.19	21.61	-39%
Cost / ASK-ex Fuel (US cents)	3.32	4.47	-26%	2.95	4.91	-40%
Aircraft (end of period)	210	154	36%	210	154	36%
Average Stage Length (km)	1,143	958	19%	1,141	919	24%
Number of Flights	69,639	35,670	95%	123,163	62,586	97%
Fuel Consumed (Barrels)	2,433,184	1,067,792	128%	4,244,373	1,790,331	137%
Average Fuel Price (US\$ / Barrel)	104	151	-31%	110	133	-18%

The Aviation Group reported a revenue of RM2,886.3 million for 2Q2023, up 109% compared to the same period last year, in tandem with the upsurge of domestic and international travel. The strong rebound catapulted revenue to the pre-covid period with 73% of current capacity and a positive EBITDA margin of 14% against a negative EBITDA margin in 2Q2022 (adjusted for reversal of impairment of ROU).

Overall, the Aviation Group reported an EBITDA of RM404.7 million compared to RM151.5 million in the same period last year, backed by higher passengers carried and capacity, consistent with the higher number of operational aircraft.

**(b) Asia Digital Engineering (ADE)**

Engineering	Apr to Jun 2023	Apr to Jun 2022	change
No. of line	7	3	4
No. of hangar check	22	12	10

Asia Digital Engineering (“ADE”) reported a revenue of RM137.9 million in 2Q2023, an increase of 83% against 2Q2022, as travel resumption and increased flights drove the demand for Maintenance, Repair and Overhaul (“MRO”) services. ADE completed 22 base maintenance checks in 2Q2023, up from 12 checks conducted in the same period last year, due to the commencement of two additional maintenance lines in Senai. Line maintenance services also grew substantially by 179% YoY, of which 98% were from narrowbody aircraft and remaining 2% from widebody aircraft. ADE reported a positive EBITDA of RM36.8 million in 2Q2023, primarily driven by increase in revenues and its lean and efficient cost structure.

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**31. Review of Group Performance (cont'd.)**

**(c) Digital**

	Apr to Jun 2023	Apr to Jun 2022	change %
<b>SuperApp</b>			
Monthly Active Users (MAU)(’000)	15,043	10,771	40%
No. of Transactions (’000)	7,883	3,904	102%
Gross Booking Value (RM’mil)	3,383	1,614	110%
<b>BigPay</b>			
Total Users (cumulative)	3,929,620	3,347,255	17%
Carded Users (cumulative)	1,414,013	1,216,902	16%
<b>Teleport</b>			
Tonnage (tonnes)	45,250	22,133	104%
Yield (RM/kg)	3.09	4.03	-23%
No. of Delivery (’000)	4,859	1,153	321%

**(i) airasia Superapp**

airasia Superapp’s revenue for the quarter was RM169.5 million, a significant 107% increase YoY driven by the strong revival of domestic travel demand and resumption of international travel in most regions. EBITDA for the quarter was RM39.7 million, which makes it the fifth consecutive quarter in which airasia Super App recorded positive EBITDA.

airasia Superapp’s Online Travel Agency (OTA) platform recorded an increase of 102% YoY in transactions in light of the resurgence of travel demand as it continues to strengthen its position as one of Asean’s top OTAs.

airasia Superapp’s e-hailing service, airasia Ride recorded encouraging results in 2Q2023, with 163% YoY growth in transactions and 117% YoY growth in GBV leading to a significant 908% YoY growth in Revenue. This was driven by higher completion rates and improved productivity from fleet drivers.

In terms of Monthly Active Users (“MAU”) airasia Superapp achieved 15.0 million average MAU during the quarter, an increase of 40% YoY. This was primarily due to the strong return of travel and increased user acquisition on the mobile app. Additionally, the number of transactions increased 102% YoY, which were driven primarily by increased transactions from Flights, airasia ride, and FlyBeyond.

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**31. Review of Group Performance (cont'd.)**

**(ii) BigPay Group**

BigPay's YoY revenue increased by 53%, driven by increased activity and spending, and growth of the user base. BigPay's carded users grew by 16% YoY reaching 1.4 million users. Strong spending growth with the recovery in AirAsia flight volume, combined with further improvement in take rates from the payments business, helped drive the acceleration of revenue growth.

The remittance business also saw strong growth with the revenue increased by 49% YoY. Growth in this business unit further boosted overall unit economics through the quarter. As a result, the quarter EBITDA loss has narrowed by 23% YoY.

**(iii) Teleport**

Teleport posted a quarterly segmental revenue of RM167 million, a 9% growth QoQ due to third party capacity additions and increased utilisation of belly capacity. The company also achieved a positive EBITDA for the fourth consecutive quarter, of RM9.2 million.

E-commerce has achieved an average of 53k daily deliveries, up 311% YoY on the back of building operational scale capabilities that will provide a solid platform for further growth in the second half of 2023.

**(iv) Santan**

Santan posted a quarterly segmental revenue of RM25.9 million, 1936% growth YoY due to the launch of the inflight catering business. The surge in demand for inflight products is in line with the recovery of AirAsia flight frequencies and strong spending growth. Santan recorded 4.8 million units sold in 2Q2023, up by 189% YoY. Cafe and restaurant also observed an increase revenue by 27% due to the increase of footfall and change of locations. Santan also achieved a positive EBITDA of RM2.2 million.

**32. Variation of results against preceding quarter**

The Group recorded a positive EBITDA of RM461.9 million for the quarter under review, against the EBITDA of RM502.2 million in the preceding quarter ended 31 March 2023 primarily due to provision for engines maintenance in this quarter. The Group recorded a net profit of RM929.4 million for the quarter under review, against the net profit of RM26.0 million in the immediately preceding quarter mainly due to the gain from consolidating AAV in June 2023 partially offset by loss on foreign exchange and provision for engines maintenance in 2Q2023.

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**33. Profit forecast**

No profit forecast has been issued.

**34. Commentary on prospects**

Capital A (or the “Group”) maintains a confident outlook on aviation prospects, as we now have line of sight on the completion of our planes. As of today, we have successfully taken 175 aircraft out of storage, expecting to restore into service 180 by the end of Q3. Our target is to reinstate a total of 200 planes back into operations by year-end. In addition to fleet reactivation, we anticipate further upside from the current high yield environment. In 2Q2023, fares remained 15% higher than pre-Covid levels in 2Q2019, and we anticipate a pick up in the second half to peak in the fourth quarter. We are buoyed by the upward trajectory of ancillary revenue per passenger, which is projected to gain momentum to reach USD358 million in 2H, up 27% compared to the same period pre-Covid, driven by strong new product initiatives and dynamic pricing. We anticipate cost to continue their downward trend as a result of the consolidation of Asia Aviation Public Company Limited (“AAV”), enabling us to achieve cost efficiency in aircraft maintenance, staff and user charges. Amidst this landscape, the Group's expansion in the Asean region remains dynamic, with the imminent launch of AirAsia Cambodia expected to further contribute to our growth.

Teleport, the Group’s logistic venture, continues to grow its market leadership position in Asean, measured by air cargo volumes (in tonnage). The recent induction of Teleport’s first A321 Freighter 'Awan' to Teleport’s fleet in July has added additional logistics capabilities and targeted capacity to Teleport’s network in Southeast Asia allowing Teleport to connect Southeast Asia to China, Vietnam and India even better. Through the Capital A and AirAsia airline ecosystem, the A321 freighter has best-in-class unit costs that extends of Teleport’s value proposition further. Teleport’s growth rate will accelerate in the second half of 2023 with the induction of two additional A321 freighters, the continued return to service of AirAsia’s fleet and the addition of third-party airline connectivity via strategic partnerships that serve Teleport's 1,500 growing customer base faster, cheaper and simpler than any competitor.

Asia Digital Engineering (“ADE”), the Group’s Maintenance, Repair and Overhaul (“MRO”) division has not only served as a strong foundation for our airline business, but is also aggressively expanding to Thailand, Indonesia and the Philippines with operations expected to commence by the end of this year. Looking ahead to its near to medium term strategy, ADE has been proactively collaborating with airlines to expand its MRO services to countries where our airlines plan to operate. This strategic approach enables both businesses fostering mutual support for growth and operations.

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**34. Commentary on prospects (cont'd.)**

airasia Superapp has multiple initiatives working in progress, on top of its continued efforts to align with BigPay to extract more commercial synergies through the introduction of several strategic initiatives to drive user engagement and enhance customer convenience to increase app loyalty for both companies. Concurrently, airasia Superapp is tapping on airasia rewards to introduce more attractive programs to encourage users to utilise their loyalty rewards, thereby increasing user retention. Going beyond collaborating with AirAsia flights, its next core focus will be on offering affordable options for hotels and non-AirAsia flights. This involves introducing integrated travel packages to improve conversion rates and promote hotel cross-selling.

As we delve into the second half of 2023 outlook and beyond, we remain steadfast in leveraging our ecosystem's synergy for continued growth and enduring value. With all of the strategies put in place, the Board expects the Group to perform better than the previous year.

**35. Material Litigation**

As at 29 August 2023, there was no material litigation against the Group.

**36. Subsequent event**

On 16 August 2023, the Thai Bankruptcy Court (“Court”) commenced the proceedings to consider the business rehabilitation plan of Thai AirAsia X that was previously approved by the creditors in July 2023. The Court concluded that they have gathered sufficient evidence and information to make a decision. The Court has scheduled to render a decision in relation to the rehabilitation plan on 31 August 2023. The total amount to be written off for the Group is RM231.5 million after considering the recoverable amounts under the rehabilitation plan. However, a provision for doubtful debt of RM223.0 million has already been made, the additional impact to the income statement of the Group will be about RM8.5 million.

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**37. Earnings per share**

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

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE</b>	
	<b>Quarter ended 30/6/2023</b>	<b>Quarter ended 30/6/2022</b>	<b>Period ended 30/6/2023</b>	<b>Period ended 30/6/2022</b>
Net profit/(loss) attributable to owners of the Company (RM'000)	1,118,281	(931,224)	1,175,376	(1,835,016)
Weighted average number of ordinary shares in issue ('000)	4,059,531	4,049,410	4,056,478	4,033,798
Basic earnings per share (sen)	27.5	(23.0)	29.0	(45.5)

**38. Authorisation for issue**

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

By order of the Board

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