CAPITAL A BERHAD

(Registration No. 201701030323 (1244493-V))

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

I. PROPOSED DISPOSAL BY CAPITAL A BERHAD ("COMPANY") OF ITS 100% EQUITY INTEREST IN AIRASIA AVIATION GROUP LIMITED ("AAAGL") TO AIRASIA X BERHAD ("AAX") FOR A DISPOSAL CONSIDERATION OF RM3,000.0 MILLION TO BE SATISFIED ENTIRELY VIA THE ALLOTMENT AND ISSUANCE OF 2,307,692,307 NEW ORDINARY SHARES IN AAX ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM1.30 EACH ("PROPOSED AAAGL DISPOSAL");

II. PROPOSED DISPOSAL BY THE COMPANY OF ITS 100% EQUITY INTEREST IN AIRASIA BERHAD ("AAB") TO AAX FOR A DISPOSAL CONSIDERATION OF RM3,800.0 MILLION TO BE SATISFIED ENTIRELY VIA THE ASSUMPTION BY AAX OF AN AMOUNT OF RM3,800.0 MILLION OWING BY THE COMPANY TO AAB ("PROPOSED AAB DISPOSAL"); AND

III. PROPOSED DISTRIBUTION BY THE COMPANY OF 1,692,307,692 CONSIDERATION SHARES TO ITS ENTITLED SHAREHOLDERS BY WAY OF A PROPOSED REDUCTION AND REPAYMENT OF THE COMPANY'S ISSUED SHARE CAPITAL PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED DISTRIBUTION")

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER FROM PUBLIC INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

RHB Investment Bank Berhad

(Registration No. 197401002639 (19663-P))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

PUBLIC INVESTMENT BANK BERHAD

(Registration No. 197401002880 (20027-W))

A Participating Organisation Of Bursa Malaysia Securities Berhad

(Wholly-owned Subsidiary Of Public Bank Berhad)

The Proposals will be tabled at the Company's Extraordinary General Meeting ("**EGM**") which will be conducted on a virtual manner through live streaming from the broadcast venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia and online remote voting using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via the TIIH Online website at https://tiih.online on Monday, 14 October at 10.00 a.m. The Notice of EGM together with the Form of Proxy are set out in this Circular.

You are entitled to attend and vote at the EGM or appoint proxy(ies) to vote for and on your behalf. In such event, the Form of Proxy should be completed and lodged at the Company's registered office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia or electronically lodged with the poll administrator via TIIH Online website at https://tiih.online not later than 48 hours before the date and time of the EGM or any adjournment thereof. Please refer to the Administrative Note for the EGM on the procedures for electronic lodgement of the Form of Proxy. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so but if you do so, your proxy shall be precluded from attending the EGM.

Last date and time for lodgement of the Form of Proxy	:	Saturday, 12 October at 10.00 a.m.
Date and time of the EGM	:	Monday, 14 October at 10.00 a.m.

This Circular is dated 20 September 2024

DEFINITIONS

Except where the context otherwise requires, the following abbreviations and definitions shall apply throughout this Circular:

"AAAGL"	:	AirAsia Aviation Group Limited
"AAAGL Completion"	:	The completion of the sale and purchase of the AAAGL Equity Interest in accordance with the terms of the AAAGL SSPA
"AAAGL Completion Date"	:	The date falling 1 month following the date on or by which all conditions precedent to the AAAGL SSPA have been satisfied, fulfilled and/or waived in accordance with the terms of the AAAGL SSPA other than those conditions precedent that by their nature are to be satisfied on the AAAGL Completion (subject to the satisfaction, fulfilment or waiver of such conditions precedent on the AAAGL Completion) or at such other time as our Company and AAX may mutually agree in writing
"AAAGL Debt Novation"	:	The pre-completion intercompany debt adjustments whereby our Company shall assume AAAGL's debt to AAB of RM2,820.6 million, whereby the debt shall be entirely set off against the AAB Dividend. The details of the aforementioned AAAGL's debt to AAB is set out in Note (a) of Section 3.1 of Part A of this Circular
"AAAGL Disposal Consideration"	:	The disposal consideration for the Proposed AAAGL Disposal of RM3,000.0 million which will be satisfied by way of the Consideration Shares
"AAAGL Equity Interest"	:	The entire 100% equity interest (including any forms of capital contribution and any unissued capital) in AAAGL held by our Company
"AAAGL Group"	:	Collectively, AAAGL and its subsidiaries
"AAAGL SSPA"	:	The conditional share sale and purchase agreement dated 25 April 2024 entered into between our Company and AAG, as supplemented by the AAAGL Supplemental SSPA and AAAGL Second Supplemental SSPA for the Proposed AAAGL Disposal, and includes any amendments, variations and/or supplements thereto from time to time
"AAAGL Supplemental SSPA"	:	The supplemental agreement dated 26 July 2024 to the AAAGL SSPA entered into between our Company, AAX and AAG for the Proposed AAAGL Disposal
"AAAGL Second Supplemental SSPA"	:	The second supplemental agreement dated 4 September 2024 to the AAAGL SSPA entered into between our Company and AAX for the Proposed AAAGL Disposal
"AAB"	:	AirAsia Berhad
"AAB Completion"	:	The completion of the sale and purchase of the AAB Equity Interest in accordance with the terms of the AAB SSPA

"AAB Completion Date"	:	The date falling 1 month following the date on or by which all conditions precedent to the AAB SSPA have been satisfied, fulfilled and/or waived in accordance with the terms of the AAB SSPA other than those conditions precedent that by their nature are to be satisfied on the AAB Completion (subject to the satisfaction, fulfilment or waiver of such conditions precedent on the AAB Completion) or at such other time as our Company and AAX may mutually agree in writing
"AAB Disposal Consideration"	:	The disposal consideration for the Proposed AAB Disposal of RM3,800.0 million which will be satisfied by way assumption by AAX of an amount of RM3,800.0 million owing by our Company to AAB on the AAB Completion Date
"AAB Dividend"	:	Subject to the receipt of the written consent from the relevant lenders/financiers of AAB, the declaration of dividend of RM3,468.6 million by AAB to our Company, which is proposed to be set off pursuant to the AAAGL Debt Novation and existing amount owing by AAAGL to be capitalised by our Company of RM648.0 million
"AAB Equity Interest"	:	The entire 100% equity interest (including any forms of capital contribution and any unissued capital) in AAB held by our Company
"AAB Group"	:	Collectively, AAB and its subsidiaries
"AAB SSPA"	:	The conditional share sale and purchase agreement dated 25 April 2024 entered into between our Company and AAG, as supplemented by the AAB Supplemental SSPA and AAB Second Supplemental SSPA for the Proposed AAB Disposal, and includes any amendments, variations and/or supplements thereto from time to time
"AAB Supplemental SSPA"	:	The supplemental agreement dated 26 July 2024 to the AAB SSPA entered into between our Company, AAX and AAG for the Proposed AAB Disposal
"AAB Second Supplemental SSPA"	:	The second supplemental agreement dated 4 September 2024 to the AAB SSPA entered into between our Company and AAX for the Proposed AAB Disposal
"AACL"	:	Asia Aviation Capital Limited
"AA Com"	:	AA Com Travel Philippines Inc.
"AAG"	:	AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn Bhd)
"AAI"	:	AirAsia Inc.
"AAID"	:	PT AirAsia Indonesia TBK
"AARB1"	:	AirAsia RB1 Ltd
"AAV"	:	Asia Aviation Public Company Limited
"AAX"	:	AirAsia X Berhad
"AAX Group"	:	Collectively, AAX and its subsidiaries

"AAX Placement Shares"	:	The new AAX Shares to be issued pursuant to the AAX Proposed Private Placement
"AAX Proposed Private Placement"	:	The proposed private placement of up to 1,000,000,000 AAX Placement Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.0 million. The quantum of gross proceeds has been determined upfront while the issue price has not been determined in order to provide flexibility to the board of directors of AAX in respect of the pricing of the AAX Placement Shares. The actual number of AAX Shares to be issued will depend on the issue price of the AAX Placement Shares to be determined later. Further information on the AAX Proposed Private Placement is set out in Section 1 of Appendix I of this Circular
"AAX Proposed Post-Completion Options"	:	The proposed granting of AAX Subscription Options to Garynma to subscribe for such number of new AAX Shares representing, in aggregate, 12% of the total enlarged issued shares in AAX as at the AAAGL Completion Date and/or AAB Completion Date, as set out in Appendix I of this Circular
"AAX Shares"	:	Ordinary shares in AAX
"AAX Stake Transfer"	:	The sale and transfer by AAB to our Company of 57,072,850 AAX Shares which represents 12.77% of the issued shares of AAX for RM106.7 million at RM1.87 per AAX Share
"AAX Subscription Options"	:	The rights of Garynma to subscribe for such number of new AAX Shares representing, in aggregate, 12% of the total enlarged issued shares in AAX as at the AAAGL Completion Date and/or AAB Completion Date
"Act"	:	Companies Act 2016
"ADE"	:	Asia Digital Engineering Sdn Bhd
"AirAsia Brand"	:	Intellectual property representing the AirAsia brand
"AirAsia Ecosystem"	:	The flights-travel-and-lifestyle ecosystem under AirAsia MOVE app and MRO services under ADE
"AirAsia MOVE"	:	AirAsia Move Sdn Bhd (formerly known as AirAsia SuperApp Sdn Bhd)
"AirAsia MOVE Group"	:	Collectively, AirAsia MOVE and its subsidiaries
"AOC"	:	Airline operating companies, namely IAA, PAA, TAA, CAA and/or AAB where the context requires
"AOC Holdco"	:	Holding company of the respective AOC
"ASK"	:	Available seat-kilometres
"Aviation MRO"	:	Maintenance, repair and overhaul of aircraft
"BigPay"	:	Big Pay Pte Ltd

"BigPay Group"	:	Collectively, BigPay and its subsidiaries
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of our Company
"Bo Lingam"	:	Tharumalingam A/L Kanagalingam (better known as Bo Lingam)
"Brand AA"	:	Brand AA Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CAA"	:	AirAsia (Cambodia) Co. Ltd.
"CAAM"	:	Civil Aviation Authority of Malaysia
"CAAM Act"	:	Civil Aviation Authority of Malaysia Act 2017, and includes any amendment and re-enactment thereof
"CAPI"	:	Capital A International
"Capital A" or "Company"	:	Capital A Berhad
"Capital A Group" or "Group"	:	Collectively, our Company and our subsidiaries
"Capital A Shares" or "Shares"	:	Ordinary shares in our Company
"CASK"	:	Cost per available seat-kilometres
"Circular"	:	This circular to shareholders dated 20 September 2024 comprising Part A – Letter to our shareholders in relation to the Proposals and Part B – IAL from PIVB to the non-interested shareholders of our Company in relation to the Proposals
"Consideration Shares"	:	2,307,692,307 new AAX Shares to be issued at the Issue Price for the Proposed AAAGL Disposal
"DCAS"	:	Deloitte Corporate Advisory Services Sdn Bhd
"DCF"	:	Discounted cash flow
"Debt Settlement"	:	Mode of settlement of the AAB Disposal Consideration by which AAX will assume our Company's debt due to AAB of RM3,800.0 million on the AAB Completion Date pursuant to the terms of the AAB SSPA
"Directors"	:	The directors of our Company and shall have the meaning given in Section 2(1) of the Act, Section 2(1) of the Capital Markets and Services Act 2007 and Paragraphs 10.02(c)(i) and (ii) of the Listing Requirements
"Distribution Shares"	:	1,692,307,692 Consideration Shares to be distributed to the Entitled Shareholders pursuant to the Proposed Distribution
"EBIT"	:	Earnings before interest and tax

"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"EGM"	:	Extraordinary general meeting
"Entitled Shareholders"	:	Our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on the Entitlement Date
"Entitlement Date"	:	A date to be determined by our Board and announced later by our Company, on which the names of our shareholders must appear in our Record of Depositors as at 5:00 p.m. on that date in order to be entitled to the Proposed Distribution
"EPS"	:	Earnings per Capital A Share
"ESOS"	:	Employee share option scheme pursuant to our LTIS
"ESOS Option Price"	:	The price payable in respect of each new Capital A Share upon the exercise of each ESOS Option by a grantee to subscribe for each new Capital A Share
"ESOS Options"	:	The options granted to selected eligible employees and executive directors of our Group under our ESOS to subscribe for new Capital A Shares, subject to vesting conditions
"EY" or "Reporting Accountants"	:	Messrs Ernst & Young PLT
"FPE"	:	Financial period ended
"FY"	:	Financial year
"FYE"	:	Financial year ended/ending, as the case may be
"Garynma"	:	Garynma Investments Pte Ltd, a special purpose vehicle company, in which Dato' Lim Kian Onn is the ultimate shareholder
"GTRH"	:	Ground Team Red Holdings Sdn Bhd
"KLIA"	:	Kuala Lumpur International Airport
"IAA"	:	PT Indonesia AirAsia
"IAA Perpetual Capital Securities"	:	Outstanding balance of RM1,090,577,013 in perpetual capital securities issued by IAA to AAB to be capitalised by our Company pursuant to the AAAGL Debt Novation
"IAL"	:	The independent advice letter dated 20 September 2024 from PIVB to the non-interested shareholders of our Company in relation to the Proposals, as set out in Part B of this Circular
"IDR"	:	Indonesian Rupiah
"INR"	:	Indian Rupee
"Interested Directors"	:	Collectively, Tan Sri Anthony Francis Fernandes, Datuk Kamarudin bin Meranun and Dato' Fam Lee Ee

"Interested Major Shareholders"	:	Collectively, TLSB, TASB, Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun
"Interpac"	:	Inter-Pacific Securities Sdn Bhd
"IP Assignment Agreement"	:	An intellectual property assignment agreement entered on 27 June 2023 between Capital A and Brand AA for the transfer of the AirAsia Brand from AAB to Brand AA
"Issue Price"	:	Issue price of RM1.30 per Consideration Share
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	30 August 2024, being the latest practicable date prior to the date of this Circular
"LTD"	:	Last trading day prior to the date of the SSPAs, being 24 April 2024
"LTIS"	:	Long term incentive scheme of our Company comprising the ESOS and Share Grant Scheme, which will be in force for a period of 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 6 years
"LTIS By-Laws"	:	The by-laws of our Company governing the LTIS
"Major Shareholders"	:	The major shareholders of our Company and shall have the meaning given in Paragraph 10.02(f)(i) of the Listing Requirements
"Market Day"	:	A day on which the stock market of Bursa Securities is open for trading in securities, which may include a Surprise Holiday
"MAVCOM"	:	Malaysian Aviation Commission or its successor-in-title or successor in such capacity
"MAVCOM Act"	:	Malaysian Aviation Commission Act 2015
"MBLA"	:	Master brand licensing agreement dated 31 May 2023 between AAB and AAAGL as supplemented by the IP Assignment Agreement, and as amended, varied and/or supplemented from time to time, whereby AAAGL was granted exclusive rights to use the trade mark and livery of the AirAsia Brand for its aviation related business, including the right to sub-license such rights to its affiliates
"MAU"	:	Monthly active users being the number of unique users who engage with a website or application within the last month
"MOVE Digital"	:	Move Digital Sdn Bhd (formerly known as AirAsia Digital Sdn Bhd)
"MRO"	:	Maintenance, repair and overhaul
"NA/(NL)"	:	Net assets/(Net liabilities)
"NAV"	:	Net asset value
"New Aviation Group"	:	The enlarged aviation group comprising AAX Group, AAAGL Group and AAB Group

"PAA"	:	Philippines AirAsia, Inc.
"PAT/(LAT)"	:	Profit/(Loss) after taxation
"PATAMI/(LATAMI)"	:	Profit/(Loss) after taxation and minority interest
"PBT/(LBT)"	:	Profit/(Loss) before taxation
"PHP"	:	Philippine Peso
"PIVB" or "Independent Adviser"	:	Public Investment Bank Berhad
"PN17"	:	Practice Note 17 of the Listing Requirements
"PN17 Issuer"	:	A listed issuer which triggers any of the prescribed criteria under Paragraph 2.1 of PN17
"Proposals"	:	Collectively, the Proposed Disposals and the Proposed Distribution
"Proposed AAAGL Disposal"	:	Proposed disposal by our Company of our AAAGL Equity Interest to AAX for the AAAGL Disposal Consideration
"Proposed AAB Disposal"	:	Proposed disposal by our Company of our AAB Equity Interest to AAX for the AAB Disposal Consideration
"Proposed Disposals"	:	Collectively, the Proposed AAAGL Disposal and Proposed AAB Disposal
"Proposed Distribution"	:	Proposed distribution of the Distribution Shares to the Entitled Shareholders based on their respective shareholdings in our Company on the Entitlement Date by way of a reduction and repayment of our Company's issued share capital pursuant to Section 116 of the Act
"Proposed Pre-Completion Restructuring"	:	Collectively, the AAAGL Debt Novation, the AAB Dividend and the AAX Stake Transfer
"RCUIDS"	:	Redeemable convertible unsecured Islamic debt securities 2021/2028 in our Company
"RCUIDS Trust Deed"	:	The trust deed dated 18 November 2021 between our Company and Malaysian Trustees Berhad, which constitutes the RCUIDS
"RCUIDS Conversion Price"	:	RM0.75, equivalent to the nominal value of the RCUIDS of RM0.75 for 1 new Capital A Share, or such adjusted price as may be for the time being applicable in accordance with the RCUIDS Trust Deed
"RCUIDS Conversion Ratio"	:	The right of the RCUIDS Holders to surrender the nominal value of the RCUIDS of RM0.75 for conversion into new Capital A Shares at any time during the conversion period of the RCUIDS at the RCUIDS Conversion Price, in accordance with the RCUIDS Trust Deed
"RHB Investment Bank" or the "Principal Adviser"	:	RHB Investment Bank Berhad
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively

"RPK"	:	Revenue passenger-kilometres
"Santan"	:	Santan Restaurant Sdn Bhd
"SGD"	:	Singapore Dollar
"Share Grant Award"	:	The grant of Capital A Shares to selected eligible employees and executive directors of our Group under our ESOS to subscribe for new Capital A Shares, subject to vesting conditions
"Share Grant Scheme"	:	Share grant scheme pursuant to our LTIS
"SBLA"	:	The brand sub-licensing agreements entered into between AAAGL and the following parties:- (a) AAV and TAA on 31 May 2023; (b) AAID and IAA on 15 June 2023; (c) AAI and PAA on 15 June 2023; (d) AAB on 27 June 2023; (e) CAA on 16 April 2024; and (f) TAAX on 10 July 2024, whereby in consideration of sub-license royalty fee of 1.2% of all the revenue (including fares and ancillary income) of the AOC and TAAX, AAAGL grants to the AOC Holdco and the AOC as well as TAAX, as the case may be, the exclusive right for the AOC and TAAX to reproduce and use the AirAsia Brand in relation to the AOC's and TAAX's aviation related business in accordance to the terms and conditions of the respective SBLA
"SSPAs"	:	Collectively, the AAAGL SSPA and AAB SSPA
"Surprise Holiday"	:	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
"TAA"	:	Thai AirAsia Co. Ltd
"TAAX"	:	Thai AirAsia X Co. Ltd
"TASB"	:	Tune Air Sdn Bhd
"Teleport"	:	Teleport Everywhere Pte Ltd
"Teleport Group"	:	Collectively, Teleport and its subsidiaries
"TGSB"	:	Tune Group Sdn Bhd
"THB"	:	Thai Baht
"TLSB"	:	Tune Live Sdn Bhd

"Unique user"	:	A user who has visited a website or application at least once over a given period of time
"USD"	:	United States Dollar
"Valuation Letter"	:	The valuation letter dated 25 July 2024 issued by DCAS
"VWAP"	:	Volume weighted average market price
"WACC"	:	Weighted average cost of capital
"Warrants"	:	Warrants 2021/2028 in our Company
"Warrants Deed Poll"	:	The deed poll dated 18 November 2021 which constitutes the Warrants
"Warrants Exercise Price"	:	RM1.00 payable in respect of each new Capital A Share upon the exercise of each Warrant by a Warrant holder to subscribe for each new Capital A Share, or such adjusted price as may be for the time being applicable in accordance with the Warrants Deed Poll

References to "our Company" in this Circular are to Capital A and references to "our Group" are to our Company and our subsidiaries. References to "we", "us", "our" and "ourselves" in this Circular are to our Company and where the context otherwise requires, shall include our subsidiaries. All references to "you" in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date respectively, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by our Company, such as in its quarterly results or annual reports, is due to rounding differences.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board (save for the Interested Directors) after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Company's and/or our Group's plans and objectives will be achieved.

TABLE OF CONTENTS

APPENDICES **PAGE**

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

This Executive Summary highlights only the salient information of the Proposals as set out in Part A of this Circular. You are advised to read and carefully consider the contents of this Circular and the appendices contained herein in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the forthcoming EGM.

Salient information	Description	Reference to Circular
Summary of the Proposals	(i) Proposed disposal by our Company of our AAAGL Equity Interest to AAX, for a disposal consideration of RM3,000.0 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 new AAX Shares at an issue price of RM1.30 each; (ii) Proposed disposal by our Company of our AAB Equity Interest to AAX, for a disposal consideration of RM3,800.0 million to be satisfied entirely via the assumption by AAX of an amount of RM3,800.0 million owing by the Company to AAB; and (iii) Proposed distribution of 1,692,307,692 Consideration Shares to the Entitled Shareholders by way of a proposed reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act.	Sections 1 to 5 of Part A of this Circular
Basis of and justification for arriving at the AAAGL Disposal Consideration	The AAAGL Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following: (a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and (b) AAAGL Disposal Consideration is within the AAAGL Valuation Range of USD628.0 million to USD805.0 million (equivalent to approximately RM2,880.0 million to RM3,691.0 million) as at 31 December 2023 as appraised by DCAS.	Section 2.2 of Part A of this Circular

Salient information	Description	Reference to Circular
Basis and justification in determining the issue price of the Consideration Shares	The Issue Price of RM1.30 per Consideration Share is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date prior to the date of our Company's announcement on the Proposals dated 25 April 2024. The Issue Price is deemed justified after considering the following: (a) The Issue Price represents a discount of approximately 3.70%, 15.03% and 29.35% to the 1-month VWAP, 3-month VWAP and 6-month VWAP of the AAX Shares up to and including 15 April 2024, respectively; and (b) The Issue Price represents a discount of approximately 0.76% to the closing price of the AAX Shares as at the LPD of RM1.31 and a discount of approximately 1.52% to the 5-day VWAP of AAX Shares up to and including the LPD of RM1.32.	Section 2.3 of Part A of this Circular
Basis of and justification for arriving at the AAB Disposal Consideration	The AAB Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following: (a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and (b) AAB Disposal Consideration is within the AAB Valuation Range of between RM3,721.0 million to RM4,602.0 million as at 31 December 2023 as appraised by DCAS.	Section 3.2 of Part A of this Circular
Rationale and benefits of the Proposals	<u>Proposed Disposals</u> • The Proposed Disposals are intended to be undertaken by our Company to streamline our Group's core business activities to focus on aviation services, logistics, digital and brand management businesses which are essential and complementary to the passenger airlines business. • The Entitled Shareholders will be able to continue participating in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.	Section 6 of Part A of this Circular

Salient information	**Description**	**Reference to Circular**
	• The Proposed Disposals are expected to result in greater clarity of investment between our Company and AAX which would facilitate business-centric valuation of the separate entities. • Our Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and is thereby expected to improve the shareholders' equity of our Group in our effort to regularise our financial conditions. <u>Proposed Distribution</u> The Proposed Distribution to be undertaken in conjunction with the Proposed AAAGL Disposal is intended to: • reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX, while allowing clarity of investment in two distinct entities with different business activities, namely aviation businesses and aviation services, logistics, digital and brand management businesses; and • enable the Entitled Shareholders to potentially benefit directly from the future performance of AAX.	
Risk factors	<u>Risk factors of the Proposals:</u> (a) Non-completion of the Proposals; (b) Contractual risk; (c) Capital market risk; (d) Lower gains arising from the Proposed AAAGL Disposal; (e) Loss of contribution from AAAGL Group and AAB Group; (f) Risk of AAX falling back into PN17 status; and (g) Dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options.	Section 9 of Part A of this Circular

Salient information	Description	Reference to Circular
Approvals required/obtained	The Proposals are subject to the following approvals and consents of the following persons being obtained: (i) at least 75% of the total number of issued shares held by the non-interested shareholders of our Company present and voting either in person or by proxy at the EGM to be convened for the Proposals; (ii) at least 75% of the non-interested holders of the RCUIDS at a RCUIDS holders meeting to be convened for the Proposals; (iii) the sealed order of the High Court of Malaya pursuant to Section 116 of the Act for the reduction in issued share capital pursuant to the Proposed Distribution; (iv) government entity, lenders/financiers or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAAGL Group or AAB Group for the Proposed Pre-Completion Restructuring and/or the Proposals, as set out in Section 11 of Part A of this Circular; (v) the non-interested shareholders of AAX at an EGM for the acquisition of AAAGL Equity Interest and AAB Equity Interest pursuant to the Proposed Disposals as well as for AAX Proposed Private Placement; (vi) government entity, lenders/financiers or any third party, as may be necessary, being obtained by AAX or its subsidiaries for the Proposals, as set out in Section 11 of Part A of this Circular; (vii) Bursa Securities for the listing and quotation of the Consideration Shares and new AAX Shares to be issued pursuant to AAX Proposed Private Placement on the Main Market of Bursa Securities; and (viii) any other relevant authorities and/or parties, if required.	Section 11 of Part A of this Circular

Salient information	Description	Reference to Circular
Conditionality of the Proposals	The Proposed AAAGL Disposal and Proposed Distribution are inter-conditional upon each other. The Proposed AAAGL Disposal and Proposed AAB Disposal are not inter-conditional upon each other. Save for the above, there are no other conditionality in respect of the Proposals. The Proposals are not conditional upon any other proposal undertaken or being undertaken by our Company.	Section 11 of Part A of this Circular
Interests of Directors, Major Shareholders and/or persons connected	Save as disclosed below, none of the Directors and major shareholders of our Company, and/or persons connected with them have any interests, direct and/or indirect, in the Proposals: (a) Tan Sri Anthony Francis Fernandes, the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB; (b) Datuk Kamarudin bin Meranun, the Non-Independent Executive Chairman and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a Non-Independent Executive Director and major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB; (c) Dato' Fam Lee Ee, the Senior Independent Non-Executive Director of our Company, is deemed interested in the Proposals by virtue of him being the Non-Independent Non-Executive Chairman of AAX; (d) TLSB, a major shareholder of our Company, is deemed interested in the Proposals as TLSB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TLSB; and (e) TASB, a major shareholder of our Company, is deemed interested in the Proposals as TASB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TASB.	Section 12 of Part A of this Circular

Salient information	Description	Reference to Circular
Audit Committee's statement	Our Audit Committee, having considered all aspects of the Proposals, including the salient terms of the SSPAs, rationale of the Proposals, basis and justification for arriving at the AAAGL Disposal Consideration and AAB Disposal Consideration, effects of the Proposals, as well as the preliminary evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are: (a) in the best interest of our Company; (b) fair, reasonable and on normal commercial terms; and (c) not detrimental to the interest of the minority shareholders of our Company.	Section 15 of Part A of this Circular
Directors' statement and recommendation	Our Board (save for the Interested Directors), after having considered all aspects of the Proposals, including the salient terms of the AAAGL SSPA and AAB SSPA, rationale and benefits of the Proposals, as well as the evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are in the best interest of our Company. Accordingly, our Board (save for the Interested Directors) recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.	Section 16 of Part A of this Circular

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

CAPITAL A BERHAD
(Registration No. 201701030323 (1244493-V))
(Incorporated in Malaysia)

Registered Office

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

20 September 2024

Board of Directors

Datuk Kamarudin bin Meranun (*Non-Independent Executive Chairman*)
Tan Sri Anthony Francis Fernandes (*Non-Independent Executive Director and Chief Executive Officer*)
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar (*Non-Independent Non-Executive Director*)
Dato' Fam Lee Ee (*Senior Independent Non-Executive Director*)
Dato' Mohamed Khadar bin Merican (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

I. PROPOSED AAAGL DISPOSAL;

II. PROPOSED AAB DISPOSAL; AND

III. PROPOSED DISTRIBUTION

---

1. INTRODUCTION

On 8 January 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into a non-binding letter of offer with AAX for the proposed disposal by our Company of our entire equity interest in AAAGL and AAB for a disposal consideration to be agreed upon by our Company and AAX at a later date.

Subsequently, on 13 March 2024 and 9 April 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company and AAX had mutually agreed to extend the negotiation period to execute the definitive agreements for the aforesaid proposed disposals until 30 April 2024.

On 25 April 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company proposes to undertake the following corporate proposals:

(i) our Company had on 25 April 2024 entered into the following:

 (a) the AAAGL SSPA in respect of the proposed disposal of our AAAGL Equity Interest to AAG for the AAAGL Disposal Consideration to be satisfied in the manner as set out in Section 2.1 of Part A of this Circular; and

 (b) the AAB SSPA in respect of the proposed disposal of our AAB Equity Interest to AAG for the AAB Disposal Consideration to be satisfied in the manner as set out in Section 3.1 of Part A of this Circular.

(ii) the proposed distribution of the Distribution Shares to the Entitled Shareholders based on their respective shareholdings in our Company by way of a reduction and repayment of our Company's issued share capital pursuant to Section 116 of the Act. The Proposed Distribution will be undertaken as part of the AAAGL Completion.

Prior to the completion of the Proposed Disposals, our Group will undertake the Proposed Pre-Completion Restructuring comprising the following:

(a) the sale and transfer by AAB to our Company of 57,072,850 AAX Shares owned by AAB which represents 12.77% of the issued shares of AAX for RM106.7 million or RM1.87 per AAX Share which is the last closing price of AAX Shares as at 31 December 2023, being the valuation date adopted by DCAS for the valuation of the AAB Target Entities. The AAX Stake Transfer is intended to be undertaken by our Company to avoid AAX as the purchaser of the AAB Equity Interest to hold its own shares;

(b) our Company shall assume AAAGL's debt to AAB of RM2,820.6 million pursuant to the AAAGL Debt Novation, to streamline and organise the AAAGL and AAB intercompany debt between them for clarity of valuation of AAAGL and AAB individually; and

(c) subject to the receipt of the written consent from the relevant lenders/financiers of AAB, AAB shall declare a dividend of RM3,468.6 million to our Company, which is proposed to set off the aforesaid AAAGL Debt Novation and existing amount owing by AAAGL to be capitalised by our Company of RM648.0 million, to settle the amount owing by our Company to AAB. For the avoidance of doubt, in the event the written consent from the relevant lenders/financiers of AAB for the proposed declaration of dividend by AAB is not obtained, the Proposed AAB Disposal will not be completed.

On 26 July 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into the AAAGL Supplemental SSPA and AAB Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Supplemental SSPA and AAB Supplemental SSPA, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Disposal and Proposed AAB Disposal respectively, with effect from 26 July 2024.

On 4 September 2024, RHB Investment Bank had, on behalf of our Board, announced that our Company had entered into the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA, our Company shall, before the AAAGL Completion Date and AAB Completion Date, obtain the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding AAAGL Group and AAB Group) in favour of lenders/financiers of the AAAGL Group and AAB Group.

The salient terms of the AAAGL SSPA and AAB SSPA as amended by the AAAGL Supplemental SSPA, AAAGL Second Supplemental SSPA, AAB Supplemental SSPA and AAB Second Supplemental SSPA respectively, are set out in Appendix IV and V of this Circular.

The Proposals are regarded as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements due to the interest of the Interested Major Shareholders and Interested Directors of our Company as set out in Section 12 of Part A of this Circular.

In addition, the Proposed Disposals are also regarded as major disposals pursuant to Paragraph 10.02(eA) of the Listing Requirements as the Proposed Disposals entail the disposal by our Company of our major business which may result in us not having a level of operations that is adequate to warrant continued trading or listing on the Official List of Bursa Securities.

In view of the above, our Company has appointed PIVB to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of our Company on the fairness and reasonableness of the Proposals, and whether the Proposals are detrimental to the non-interested shareholders of our Company.

Our Company is classified as a PN17 Issuer. As such, pursuant to Paragraph 5 of PN17, our Company has an obligation to regularise our financial condition and is required to, amongst others, submit a regularisation plan to the regulatory authorities and to announce the details of the regularisation plan including those set out in Paragraph 4.2 of PN17. Accordingly, our Company will make a requisite announcement on the regularisation plan upon its finalisation.

Further details of the Proposals are set out in Part A of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE RECOMMENDATION OF THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSALS AS SET OUT IN THE IAL IN PART B OF THIS CIRCULAR AND THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED AAAGL DISPOSAL

The Proposed AAAGL Disposal entails the disposal by our Company of our AAAGL Equity Interest to AAX for the AAAGL Disposal Consideration subject to the terms of the AAAGL SSPA, the salient terms of which are set out in Appendix IV of this Circular.

Pursuant to the terms of the AAAGL SSPA, our Company has agreed to sell and AAX has agreed to purchase the AAAGL Equity Interest free from claims, liens, charges and encumbrances and together with all rights and advantages attaching to them as at the AAAGL Completion, including the right to receive all dividends or distributions declared, made or paid on or after the AAAGL Completion Date.

Please refer to Appendix II of this Circular for further information on AAAGL.

2.1 Mode of settlement of the AAAGL Disposal Consideration

Subject to the requisite approvals being obtained, the AAAGL Disposal Consideration shall be satisfied by AAX, in the following manner:

(a) 1,692,307,692 new AAX Shares, representing 73.33% of the total Consideration Shares which shall, on the Entitlement Date, be allotted and issued directly by AAX to the Entitled Shareholders pursuant to the Proposed Distribution on the AAAGL Completion Date; and

(b) the remaining 615,384,615 new AAX Shares, representing 26.67% of the total Consideration Shares shall be allotted and issued to our Company on the AAAGL Completion Date, and such Consideration Shares will be retained by our Company.

Our Company and the persons acting in concert with us ("**Capital A and its PACs**") have executed an undertaking letter, whereby in the event that Capital A and its PACs are likely to increase their shareholdings above 33% of the total issued share capital of AAX at any given time throughout the Proposals and/or AAX's Proposed Corporate Exercises (as defined in Section 1 of Appendix I of this Circular), (with particular regard to after the AAX Proposed Private Placement), Capital A and its PACs undertake to dispose their shares in our Company and/or AAX before the completion of the AAX Proposed Private Placement and/or Proposed Distribution such that Capital A and its PACs will collectively hold less than 33% of the total issued shares in AAX. Accordingly, the implementation of the Proposed AAAGL Disposal is not expected to give rise to any mandatory take-over offer obligation by our Company under the Malaysian Code on Take-Overs and Mergers, 2016 and the Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC.

For information purposes, our Company's PACs and their respective shareholdings in our Company and AAX as at the LPD are as follows:

	Shareholdings in our Company		Shareholdings in AAX	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Tan Sri Anthony Francis Fernandes	2,000,000	0.05	11,158,722	2.50
Datuk Kamarudin bin Meranun	2,000,000	0.05	37,070,993	8.29
TLSB (1)	509,000,000	11.82	-	-
TASB (1)	516,485,082	11.99	-	-
TGSB (1)	-	-	73,960,286	16.54
AAB	-	-	57,072,850	12.77

Notes:

(1) Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are directors and controlling shareholders of TLSB, TASB and TGSB.

2.2 Basis of and justification for arriving at the AAAGL Disposal Consideration

The AAAGL Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:

(a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and

(b) the range of valuation for the AAAGL Equity Interest based on the adjusted NAV of AAAGL of USD628.0 million to USD805.0 million (equivalent to approximately RM2,880.0 million to RM3,691.0 million) ("**AAAGL Valuation Range**") as at 31 December 2023 based on an independent valuation conducted by DCAS, the independent valuer appointed by our Company, in its Valuation Letter.

In arriving at the valuation for the AAAGL Equity Interest (and AAAGL being an investment holding company), the audited NAV of AAAGL as at 31 December 2023 of USD183 million had been adjusted to arrive at the AAAGL Valuation Range as set out below:

	Low range **USD'million**	**High range** **USD'million**
Audited NAV of AAAGL as at 31 December 2023	183	183
Adjustments		
Add: Uplift in fair value of investment in subsidiaries [(i)]	(61)	116
Add: Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A [(ii)]	505	505
Less: Cost of investment incurred for the acquisition of 100% equity interest in AA Com from Capital A, which was completed in March 2024	- (represents USD0.2 million)	- (represents USD0.2 million)
AAAGL Valuation Range	**628**	**805**
AAAGL Valuation Range (in RM'million)	**2,880**	**3,691**

Notes:

(i) The adjustments are mainly attributable to the fair value uplift of investments in the subsidiaries including the AOC Holdco namely, AAV, AAI, AA Com and AAID are based on the equity value of the respective AOCs as appraised by DCAS after deducting the audited book value of AAAGL's investments in subsidiaries as at 31 December 2023.

The details of valuation of the AOCs and the respective AOC Holdco as well as the upliftment in fair value of AAAGL's investments are as follows:

Valuation of the AOCs and their respective AOC Holdco

Name of companies	***Valuation based on 100% equity interest***	
	Low range	***High range***
	USD'million	***USD'million***
AOCs		
- *TAA*	*697*	*875*
- *PAA*	*109*	*193*
- *IAA*	*42*	*85*
AOC Holdco		
- *AAV (with 100.00% equity interest in TAA)*	*701*	*879*
- *AA Com (with 60.00% equity interest in AAI, which in turn holds 99.66% equity interest in PAA)*	*116*	*166*
- *AAI (with 99.66% equity interest in PAA)*	*220*	*304*
- *AAID (with 57.25% equity interest in IAA)*	*22*	*47*

Upliftment in fair value of AAAGL's investments

AAAGL's investments	***Range of equity value based on equity interest held by AAAGL***	
	Low range	***High range***
	USD'million	***USD'million***
- *20.95% equity interest in IAA*	*9*	*18*
- *40.71% equity interest in AAV*	*285*	*358*
- *100.00% equity interest in AA Com*	*116*	*166*
- *40.00% equity interest in AAI*	*88*	*121*
- *Investment in convertible bond issued by AAI* [(i)]	*25*	*25*
- *46.25% equity interest in AAID*	*10*	*22*
Total	***533***	***710***
Less: Carrying amount of AAAGL's investments as at 31 December 2023 [(ii)]	*(594)*	*(594)*
Upliftment in fair value of AAAGL's investments	***(61)***	***116***

Sub-notes:

(a) *In May 2013, AAI issued USD25 million in redeemable, unsecured convertible bonds to AAAGL at an interest rate of 6% per annum.*

(b) *The carrying amount of AAAGL's investments have been adjusted to reflect the novation of the IAA Perpetual Capital Securities from AAB to AAAGL, to be completed prior to the Proposals. As at 31 December 2023, the outstanding balance of the IAA Perpetual Capital Securities amounted to approximately RM1,091 million.*

In deriving the valuation, DCAS has considered a number of valuation approaches, and adopted the DCF method (income approach) as the primary method, given that the AOCs are income-generating companies with active operations.

The DCF method is based on the cash flow projections prepared by the management of each of the AOC for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying bases and assumptions and the discounting of the future cash flow to present value.

The basis and criteria for the low range and high range in arriving at the valuation of AAAGL and its AOCs is based on the range of discount rates adopted for each AOC as set out in the table illustrating the summary of the key bases and assumptions used by DCAS in the DCF method in the following page.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

The summary of the key bases and assumptions used by DCAS in the DCF method is as follows:

- *Where applicable, DCAS will make a reference to FYE 31 December 2019 as a base year in analysing the projections of each AOC, as the FYE 31 December 2019 represents the financial performance of the AOC prior to the COVID-19 pandemic.*

	TAA		***PAA***		***IAA***	
Revenue	• *Passenger revenues are expected to contribute approximately 99.0% of the total projected revenue between FY2024 and FY2028* • *Freight services revenue is expected to contribute approximately 1.0% of the total projected revenue between FY2024 and FY2028* • *Total revenue is expected to grow at a CAGR of approximately 11.0% between FY2024 and FY2028*		• *Passenger revenues are expected to contribute approximately 99.0% of the total projected revenue between FY2024 and FY2028* • *Freight services revenue is expected to contribute approximately 1.0% of the total projected revenue between FY2024 and FY2028* • *Total revenue is expected to grow at a CAGR of approximately 15.0% between FY2024 and FY2028*		• *Passenger revenues are expected to contribute approximately 98.0% of the total projected revenue between FY2024 and FY2028* • *Freight services revenue is expected to contribute approximately 2.0% of the total projected revenue between FY2024 and FY2028* • *Total revenue is expected to grow at a CAGR of approximately 21.0% between FY2024 and FY2028*	
Others	• *Unutilised tax losses are expected to be utilised and offset against TAA's projected EBIT between FY2024 and FY2027* • *Tax expenses are assumed from FY2028 onwards at Thailand's statutory tax rate of 20.0%* • *Capital expenditure for non-aircraft operating assets is projected at 0.2% of the total projected revenue between FY2024 and FY2028* • *Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 1.0%* [(iii)]		• *Unutilised tax losses are expected to be utilised and offset against PAA's projected EBIT between FY2024 and FY2025* • *Tax expenses are assumed from FY2026 onwards at Philippine's statutory tax rate of 25.0%* • *Capital expenditure for non-aircraft operating assets is projected at 2.0% of the total projected revenue between FY2024 and FY2028* • *Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 3.0%* [(iii)]		• *Unutilised tax losses are expected to be utilised and offset against IAA's projected EBIT between FY2024 and FY2027* • *Tax expenses are assumed from FY2028 onwards at Indonesia's statutory tax rate of 22.0%* • *Capital expenditure for non-aircraft operating assets is projected at 1.0% of the total projected revenue between FY2024 and FY2028* • *Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 3.0%* [(iii)]	
Discount rates *	***Low range***	***High range***	***Low range***	***High range***	***Low range***	***High range***
	14.5%	*12.0%*	*19.0%*	*17.0%*	*19.0%*	*17.5%*

Note:

* *The discount rates adopted have been developed based on the WACC, which includes the following additional risk premiums:*

(a) *Size premium, which represents the additional risks assumed by investors for investing in small firms, where applicable; and*

(b) *Company-specific risk premium, which represents a risk premium attributable to the specific companies of TAA, PAA and IAA.*

(ii) *The capitalisation of the amount owing by AAAGL to our Company amounting to USD505 million is attributable to the following:*

(A) *capitalisation due to the assignment of intercompany debt due to AAB by IAA, to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD126 million (equivalent to approximately RM580 million);*

(B) *capitalisation due to the novation of the IAA Perpetual Capital Securities from AAB to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD238 million (equivalent to approximately RM1,091 million); and*

(C) *capitalisation of the intercompany debt due to our Company and AAB by AAAGL, amounting to approximately USD141 million (equivalent to approximately RM648 million).*

The capitalisation of the amount owing by AAAGL to our Company is undertaken as a waiver of AAAGL debts by our Company.

(iii) *Terminal value comprises more than half of the valuation of TAA, PAA and IAA, given the respective management's plan to grow their operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FY2024 to FY2028. Their operations are expected to achieve a stable state by FY2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rates of the respective countries in which TAA, PAA and IAA operate.*

After extensive negotiation with AAX, our Company and AAX have determined the AAAGL Disposal Consideration to be at RM3,000.0 million, after taking into consideration the following factors:

(a) the recovery phase of the aviation industry;

(b) providing flexibility for AAAGL Group to pursue its growth initiatives; and

(c) our Company and our shareholders' continued exposure in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.

The AAAGL Disposal Consideration is deemed justified after considering the following:

(i) the AAAGL Disposal Consideration of RM3,000.0 million is within the AAAGL Valuation Range of RM2,880.0 million to RM3,691.0 million;

(ii) the effects of the Proposed AAAGL Disposal which is expected to result in an improvement in the consolidated NA of our Company as set out in Section 10.2 of Part A of this Circular; and

(iii) the expected gain arising from the remeasurement of the remaining interest in AAAGL pursuant to the Proposed AAAGL Disposal as detailed in Section 2.9 of Part A of this Circular.

2.3 Basis and justification in determining the issue price of the Consideration Shares

The Issue Price of RM1.30 per Consideration Share is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date used to finalise the negotiation on the issue price of the Consideration Shares prior to the date of signing of the SSPAs and our Company's announcement on the Proposals dated 25 April 2024.

In arriving at the Issue Price, our Company had taken into consideration that the Issue Price of RM1.30 represents the following:

	Share price	Premium / (Discount)	
	RM	RM	%
Last transacted price of AAX Shares on 15 April 2024	1.30	-	-
5-day VWAP of AAX Shares up to and including 15 April 2024	1.30	-	-
1-month VWAP of AAX Shares up to and including 15 April 2024	1.35	(0.05)	(3.70)
3-month VWAP of AAX Shares up to and including 15 April 2024	1.53	(0.23)	(15.03)
6-month VWAP of AAX Shares up to and including 15 April 2024	1.84	(0.54)	(29.35)

(Source: Bloomberg)

For information purposes, the Issue Price represents the following:-

(i) a premium of approximately 4.84% over the closing price of AAX Shares as at the LTD of RM1.24 and a premium of approximately 7.44% over the 5-day VWAP of AAX Shares up to and including the LTD of RM1.21. Nevertheless, when the Issue Price is compared to AAX's traded price over a longer period of time, it represents a discount of approximately 11.56% and 26.97% based on the 3-month VWAP and 6-month VWAP of the AAX Shares up to and including the LTD of RM1.47 and RM1.78, respectively; and

(ii) a discount of approximately 0.76% to the closing price of AAX Shares as at the LPD of RM1.31 and a discount of approximately 1.52% to the 5-day VWAP of AAX Shares up to and including the LPD of RM1.32.

The Issue Price is deemed justified after considering the following:-

(a) The Issue Price represents a discount of approximately 3.70%, 15.03% and 29.35% to the 1-month VWAP, 3-month VWAP and 6-month VWAP of the AAX Shares up to and including 15 April 2024, respectively; and

(b) The Issue Price represents a discount of approximately 0.76% to the closing price of the AAX Shares as at the LPD of RM1.31 and a discount of approximately 1.52% to the 5-day VWAP of AAX Shares up to and including the LPD of RM1.32.

2.4 Ranking of the Consideration Shares

The Consideration Shares will, upon allotment and issuance, rank equally in all respects with the then existing AAX Shares in issue, save and except that the holders of the Consideration Shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

2.5 Listing and quotation of the Consideration Shares

Bursa Securities had, vide its letter dated 11 September 2024, resolved to approve the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 11, Part A of this Circular.

2.6 Salient terms of the AAAGL SSPA

Please refer to Appendix IV of this Circular for the salient terms of the AAAGL SSPA.

2.7 Liabilities which will remain with our Company

There are no liabilities, including contingent liabilities and guarantees, in relation to AAAGL which will remain with our Company after the completion of the AAAGL SSPA. For the avoidance of doubt, in the event the approval and/or consent for the release and/or discharge of all the corporate guarantee and/or security provided by our Group in favour of certain lenders/financiers of AAAGL Group pursuant to the condition precedent under the AAAGL SSPA (as set out in Paragraph 3.1(iii)(f) of Appendix IV of this Circular) are not obtained, the Proposed AAAGL Disposal will not be completed.

For information purpose, our Group has not provided any guarantees to AAX Group.

2.8 Amount owing to our Group (excluding AAAGL Group and AAB Group)

As at 31 December 2023, AAAGL Group has non-trade amount owing to our Group of RM54.8 million which mainly comprise advances made by our Company and other subsidiaries to AAAGL Group. Any non-trade amount owing between the AAAGL Group and our Group on the AAAGL Completion Date shall be fully settled in cash within 1 year from the AAAGL Completion. For the avoidance of doubt, the aforesaid non-trade amount owing from AAAGL Group shall be payable in cash instead of capitalised into capital contribution as our Company is of the view that the inflow of cash repayment would be beneficial to our Group's cash flows. The repayment term of 1 year from the AAAGL Completion was provided to AAAGL Group after a series of negotiations with AAX to provide AAAGL Group time to undergo the recovery phase of the aviation industry and to allow an interim period for AAAGL Group to strengthen its cash flows after the completion of the Proposed AAAGL Disposal.

The non-trade amount owing by AAAGL Group to our Group on the AAAGL Completion Date is estimated to be approximately RM96.2 million.

2.9 Expected pro forma gain arising from the remeasurement of remaining interest in AAAGL from the Proposed AAAGL Disposal

Based on our Company's audited consolidated financial statements for the FYE 31 December 2023, the Proposed AAAGL Disposal is expected to result in a pro forma gain arising from the remeasurement of the remaining interest in AAAGL upon AAAGL Completion of approximately RM3,605.9 million. The details of the pro forma gain arising from the Proposed AAAGL Disposal is set out below:

	RM'million
Fair value of AAAGL Disposal Consideration (1)	3,046.15
Add: Net liabilities of AAAGL Group as at 31 December 2023 after the effects of the Proposed Pre-Completion Restructuring (2)	2,808.68
Less: Derecognition of goodwill in AAAGL in our Company	(7.33)
Less: Transaction costs for the Proposed AAAGL Disposal	(7.76)
Less: Distribution to shareholders (3)	(2,233.84)
Pro forma gain arising from the remeasurement of the remaining interest in AAAGL	**3,605.90**

Notes:

(1) For the purpose of illustration in the pro forma effects above, the fair value of the Consideration Shares was illustrated at approximately RM3,046.15 million which was based on the issue price of each Consideration Share of RM1.32, being the 5-day VWAP of AAX Shares up to and including the LPD.

(2) The adjusted net liabilities of AAAGL Group after incorporating the effects of the Proposed Pre-Completion Restructuring are as follows:

	RM'million
Net liabilities of AAAGL Group as at 31 December 2023 (as per the Reporting Accountants' Report on the consolidated financial statements of AAAGL)	*(5,187.04)*
Add: Net assets adjustments arising from acquisition of AA Com Philippines	*0.36*
Adjustments relating to the Proposed Pre-Completion Restructuring:-	
- Capital contribution from Capital A pursuant to the following:	
(i) the AAAGL Debt Novation; and	*2,820.58*
(ii) existing amount owing to AAB and Capital A	*648.00*
- Elimination of IAA Perpetual Capital Securities	*(1,090.58)*
Net liabilities of AAAGL Group as at 31 December 2023 after incorporating effects of Proposed Pre-Completion Restructuring	***(2,808.68)***

Save for the AAAGL Debt Novation, none of the net liabilities of AAAGL Group shall be novated to Capital A. For clarity, the adjusted net liabilities is added into the computation of the pro forma gain as AAAGL Group is in a net liabilities position instead of net assets.

(3) For the purpose of illustration in the pro forma effects above, the value of the Distribution Shares pursuant to the Proposed Distribution was illustrated based on the market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares up to and including the LPD.

The actual gain on remeasurement of the remaining interest in AAAGL arising from the Proposed AAAGL Disposal can only be ascertained upon the AAAGL Completion Date based on the realisation of net liabilities of AAAGL as well as the market price of AAX Shares on the Entitlement Date and on the AAAGL Completion Date. In the event that the market price of AAX Shares falls below RM1.30 (being the Issue Price) on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal. On the contrary, should the market price of AAX Shares trade above RM1.30 on the AAAGL Completion Date, the net increase in value would contribute to an increased gain arising from the Proposed AAAGL Disposal. As such, the gain on disposal as at the actual AAAGL Completion Date could be materially different from the illustrated expected pro forma gain arising from the remeasurement of remaining interest in AAAGL above and they should not be taken to represent the final gain on disposal.

2.10 Date and original cost of investment

The date and original cost of investment for AAAGL are set out below:

Date of investment	**Original cost of investment**
	RM'million
30 August 2018	19.99

3. PROPOSED AAB DISPOSAL

The Proposed AAB Disposal entails the disposal by our Company of our AAB Equity Interest to AAX for the AAB Disposal Consideration subject to the terms of the AAB SSPA, the salient terms of which are set out in Appendix V of this Circular.

Pursuant to the terms of the AAB SSPA, our Company has agreed to sell and AAX has agreed to purchase the AAB Equity Interest free from encumbrances (save as disclosed in our Company's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at the AAB Completion, including the right to receive all dividends or distributions declared, made or paid on or after the AAB Completion Date.

Note:

*(1) On 21 August 2024, AARB1, AAB's wholly-owned subsidiary, entered into definitive agreements with aircraft lessors and private credit funds for the issuance by AARB1, of Regulation S secured bonds of up to USD443.0 million, due September 2026 and August 2028, with AAB as a third party security provider, and both AAB and our Company as corporate guarantors ("**Revenue Bond**"). BNM has vide its letters dated 26 March 2024 and 4 July 2024 approved the issuance of the Revenue Bond together with the proposed security under BNM's Foreign Exchange Policy. The Revenue Bond was issued on 23 August 2024. Please refer to Section 12 of Appendix III of this Circular for further information on the Revenue Bond.*

3.1 Mode of settlement of the AAB Disposal Consideration

The AAB Disposal Consideration will be satisfied by way of AAX's assumption of our Company's debt due to AAB of RM3,800.0 million on the AAB Completion Date pursuant to the terms of the AAB SSPA.

The details of the debt by our Company to AAB as at 31 December 2023 are as follows:

Description	RM'million
Amount owing from our Company to AAB as at 31 December 2023 [(a)]	[(b)] 3,793.0
Add: AAX Stake Transfer	106.7
Adjusted amount owing from our Company to AAB as at 31 December 2023	**3,899.7**

Note:

(a) To streamline AAAGL and AAB intercompany debt, our Company will undertake the AAAGL Debt Novation as part of the Proposed Pre-Completion Restructuring. The AAAGL and AAB intercompany debt pursuant to the undertaking of the AAAGL Debt Novation is set out as follows:

Description	*RM'million*
Amount owing from AAI and PAA to AAB for leases, maintenance reserve and advances	*1,150.0*
Amount owing from IAA to AAB for leases, maintenance reserve and advances	*580.0*
Amount owing from AAAGL to AAB pursuant to the proposed novation of the IAA Perpetual Capital Securities from AAB to AAAGL	*1,090.6*
Total	***2,820.6***

(b) *The amount owing from our Company to AAB comprise the following:*

Description	***RM'million***
Disposal of AirAsia Brand from AAB to Brand AA, a wholly-owned subsidiary of our Company pursuant to the IP Assignment Agreement	*4,500.0*
Advance made to AAB by our Company for working capital purposes	*(707.0)*
Total	***3,793.0***

As a result of the assumption of debt, the following shall occur simultaneously:

(i) AAB shall fully release our Company from the liability for the payment of the amount owing from our Company to AAB; and

(ii) AAX shall fully assume the liability for the payment of the amount owing from our Company to AAB,

by way of the issue of promissory note from AAX to AAB, which will substitute and cancel the existing promissory note issued by our Company to AAB in connection with the amount owing from our Company to AAB.

The remaining amount owing from our Company to AAB of RM99.7 million after the Debt Settlement shall be payable within 1 year from the AAB Completion Date. In the event the remaining amount owing by our Company to AAB as at the AAB Completion Date deviates from RM99.7 million, the differences shall be fully settled in cash within 1 year from the completion of the Proposed AAB Disposal. The aforesaid amount is excluded from the AAB Disposal Consideration as the consideration was negotiated between our Company and AAX, on a willing-buyer willing-seller basis, after taking into consideration, amongst others, AAX's consideration of the future prospects of AAB Group and the equity value of AAB Equity Interest as at 31 December 2023 based on an independent valuation conducted by DCAS.

3.2 Basis of and justification for arriving at the AAB Disposal Consideration

The AAB Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:

(a) the rationale and benefits of the Proposals as detailed in Section 6 of Part A of this Circular; and

(b) the equity value of AAB Equity Interest as at 31 December 2023 based on an independent valuation conducted by DCAS. The AAB Disposal Consideration is within the range of valuation for the AAB Equity Interest of between RM3,721.0 million to RM4,602.0 million ("**AAB Valuation Range**") as at 31 December 2023 as appraised by DCAS in its Valuation Letter. In deriving the valuation, DCAS has considered a number of valuation approaches, and adopted the DCF method (income approach) as the primary method, given that AAB is an income-generating company with active operations.

The DCF method is based on AAB's cash flow projections prepared by AAB's management for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying bases and assumptions and the discounting of the future cash flow to present value.

The summary of the key bases and assumptions used by DCAS in the DCF method is as follows:

- Where applicable, DCAS will make a reference to FYE 31 December 2019 as a base year in analysing the projections of each AOC, as the FYE 31 December 2019 represents the financial performance of the AOC prior to the COVD-19 pandemic.

Revenue	• Passenger revenues are expected to contribute approximately 99.0% of the total projected revenue between FY2024 and FY2028 • Freight services revenue is expected to contribute approximately 1.0% of the total projected revenue between FY2024 and FY2028 • Total revenue is expected to grow at a CAGR of approximately 13.0% between FY2024 and FY2028	
Others	• Unutilised tax losses are expected to be utilised and offset against AAB's projected EBIT between FY2024 and FY2028 • Tax expenses are assumed in the terminal period at Malaysia's statutory tax rate of 24.0% • Capital expenditure for non-aircraft operating assets is projected at 1.0% of the total projected revenue between FY2024 and FY2028 • Cash flows are projected to grow in perpetuity after FY2028 at a terminal year growth rate of approximately 2.0% [ii]	
Discount rates[i]	**Low range**	**High range**
	14.5%	12.5%

Note:

(i) The discount rates adopted have been developed based on the WACC, which includes the additional company-specific risk premium, which represents a risk premium attributable to the specific company of AAB.

(ii) Terminal value comprises more than half of the valuation of AAB, given its management's plan to grow its operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FY2024 to FY2028. The operation of AAB is expected to achieve a stable state by FY2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rate of the country in which AAB mainly operates.

For information purposes, following the issuance of the Revenue Bond as highlighted in Note (1) of Section 3 of this Circular, a retrospective review of the impact to the AAB Valuation Range had been conducted by DCAS, whereby AAB's cash flow projections had been assessed based on the incremental cash inflows and outflows arising from the drawdown and repayment of the principal and interest and associated tax savings based on the contractual terms of the Revenue Bond between FYE 31 December 2024 and FYE 31 December 2028. DCAS' assessment of the equity value of AAB after the issuance of the Revenue Bond is in the range of RM3,735.0 million to RM4,563.0 million, of which the variance is less than 1% as compared to the assessment of the AAB Valuation Range as per the Valuation Letter. Further information in respect of the review on the impact of the Revenue Bond to the equity value of AAB can be found in DCAS' letter dated 10 September 2024 as appended in Appendix VII of this Circular. The impact of the issuance of the Revenue Bond to the AAB Valuation Range is deemed immaterial on the basis that the impact is less than 1% of the AAB Disposal Consideration.

After extensive negotiation with AAX, our Company and AAX have determined the AAB Disposal Consideration to be at RM3,800.0 million, albeit at the lower end of the AAB Valuation Range, after taking into consideration the following factors:-

(a) the recovery phase of the aviation industry;

(b) providing flexibility for AAB Group to pursue its growth initiatives; and

(c) our Company and our shareholders' continued exposure in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.

The AAB Disposal Consideration is deemed justified after considering the following:

(i) the AAB Disposal Consideration of RM3,800.0 million is within the AAB Valuation Range of RM3,721.0 million to RM4,602.0 million;

(ii) the effects of the Proposed AAB Disposal which is expected to result in an improvement in the consolidated NA of our Company as set out in Section 10.2 of Part A of this Circular; and

(iii) the expected gain arising from the Proposed AAB Disposal as detailed in Section 3.5 of Part A of this Circular.

3.3 Salient terms of the AAB SSPA

Please refer to Appendix V of this Circular for the salient terms of the AAB SSPA.

3.4 Liabilities which will remain with our Company

There are no liabilities, including contingent liabilities and guarantees, in relation to AAB which will remain with our Company after the completion of the AAB SSPA. For the avoidance of doubt, in the event the approval and/or consent for the release and/or discharge of all the corporate guarantee and/or security provided by our Group in favour of certain lenders/financiers of AAB and/or its subsidiaries pursuant to the condition precedent under the AAB SSPA (as set out in Paragraph 3.1(iii)(h) of Appendix V of this Circular) are not obtained, the Proposed AAB Disposal will not be completed.

For information purposes, our Group has not provided any guarantees to AAX Group.

3.5 Expected gain arising from the Proposed AAB Disposal

Based on our Company's audited consolidated financial statements for the FYE 31 December 2023, the Proposed AAB Disposal is expected to result in a pro forma gain on disposal of AAB upon the AAB Completion of approximately RM7,674.9 million. The details of the pro forma gain arising from the Proposed AAB Disposal is set out below:

	RM'million
AAB Disposal Consideration	3,800.00
Add: Net liabilities of AAB as at 31 December 2023 after the effects of the Proposed Pre-Completion Restructuring [(1)]	3,882.69
Less: Transaction costs for the Proposed AAB Disposal	(7.76)
Pro forma gain on disposal of AAB	**7,674.93**

Note:

(1) The adjusted net liabilities of AAB Group after incorporating the effects of the Proposed Pre-Completion Restructuring are as follows:-

	RM'million
Net liabilities of AAB Group as at 31 December 2023 (as per the Reporting Accountants' Report on the consolidated financial statements of AAB)	*(1,504.69)*
Adjustments relating to the Proposed Pre-Completion Restructuring:	
- Reversal of previous impairment of IAA Perpetual Capital Securities	*1,090.58*
- AAB Dividend	*(3,468.58)*
Net liabilities of AAB Group as at 31 December 2023 after incorporating effects of Proposed Pre-Completion Restructuring	***(3,882.69)***

None of the net liabilities of AAB Group shall be novated to our Company. For clarity, the adjusted net liabilities is added into the computation of the pro forma gain as AAB Group is in a net liabilities position instead of net assets.

The actual gain arising from the Proposed AAB Disposal can only be ascertained upon the AAB Completion Date based on the realisation of total net liabilities of AAB as at the AAB Completion Date.

3.6 Date and original cost of investment

The date and original cost of investment for AAB are set out below:

Date of investment	**Original cost of investment RM'million**
16 April 2018	8,023.27

4. OTHER DETAILS OF THE PROPOSED DISPOSALS

4.1 Information on AAX

AAX was incorporated on 19 May 2006 as a private limited company in Malaysia under the Companies Act 1965 and is deemed registered under the Act. It was incorporated under the name of Eden Hub Sdn Bhd. Its name was subsequently changed to Fly Asian Xpress Sdn Bhd on 1 June 2006 and to AirAsia X Sdn Bhd on 21 September 2007. It was then converted into a public company and assumed its present name on 9 October 2012. On 10 July 2013, it was listed on the Main Market of Bursa Securities.

The principal activity of AAX is the provision of long haul air transportation services while its subsidiaries are principally involved in the provision of aircraft leasing facilities and the provision of management logistical and marketing services. Its associate company, namely Thai AirAsia X Co., Ltd is an operator of commercial air transport services based in Thailand which provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region. As at 31 December 2023, AAX serviced 22 destinations within its network including Australia, China, India, South Korea, Japan, Taiwan, Indonesia and Saudi Arabia.

As at the LPD, AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and does not own any aircraft.

Please refer to Appendix I for further information on AAX.

4.2 Cash Company and Major Disposal

The Proposed Disposals are not expected to result in our Company becoming a cash company as defined under the Listing Requirements.

Based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2023, the aggregate revenue generated by AAAGL Group and AAB Group constitute more than 70% of our Group's total revenue. As such, the Proposals are deemed as major disposals pursuant to subparagraph 8.03A(2)(a)(i)(bb) of the Listing Requirements which states that a listed issuer may not have a level of operations that is adequate to warrant continued trading or listing on the Official List of Bursa Securities if the listed issuer has suspended or ceased all of its business or its major business due to or as a result of the disposal of the listed issuer's business or major business.

Subparagraph 8.03A(3) of the Listing Requirements states that an affected listed issuer that triggers subparagraph 8.03A(2)(a) of the Listing Requirements must, amongst others, regularise its condition within 12 months, failing which Bursa Securities may suspend the trading of listed securities of such listed issuer or de-list the listed issuer, or both. As our Company is a PN17 Issuer, our Company would be required to undertake a regularisation plan in accordance with Paragraph 8.03 and PN17 of the Listing Requirements. Notwithstanding the 12 months period to regularise our Group's condition pursuant to subparagraph 8.03A(3) of the Listing Requirements, since our Company is also a PN17 Issuer, our Company will adhere to the PN17 timeline to regularise our Group's condition. Pursuant to subparagraph 8.04(3) of the Listing Requirements, our Company as a PN17 Issuer must, amongst others, regularise its condition within 12 months from the date it announces that it is a PN17 Issuer, submit a regularisation plan to Bursa Securities and obtain Bursa Securities' approval to implement the plan.

RHB Investment Bank on behalf of our Company had on 19 August 2024 announced that Bursa Securities had vide its letter dated 19 August 2024 resolved to grant our Company an extension of time up to 31 December 2024 to submit our regularisation plan to the regulatory authorities. Accordingly, our Company will make a requisite announcement on the regularisation plan upon its finalisation. The extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of our Company and to de-list our Company in the event:

(i) our Company fails to submit our regularisation plan to the regulatory authorities on or before 31 December 2024;

(ii) our Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of our regularisation plan; or

(iii) our Company fails to implement our regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of our Company on the 6th market day after the date of notification of suspension by Bursa Securities and de-list our Company, subject to our Company's right to appeal against the delisting.

Our Board intends to maintain the listing status of our Company on the Main Market of Bursa Securities and will endeavour to take the necessary steps to maintain an adequate level of operations through our aviation services, logistics, digital and brand management businesses.

For the avoidance of doubt, the Proposals are not part of our regularisation plan.

4.3 Financial Resources

AAX is not required to make any cash payment to acquire AAAGL and AAB pursuant to the Proposed Disposals.

5. DETAILS OF THE PROPOSED DISTRIBUTION

As part of the Proposed AAAGL Disposal, our Company intends to distribute approximately RM2,200.0 million in value of the Consideration Shares to the Entitled Shareholders based on their respective shareholdings on the Entitlement Date by way of a reduction and repayment of our Company’s issued share capital pursuant to Section 116 of the Act. Accordingly, the number of Distribution Shares shall be fixed at 1,692,307,692 Consideration Shares, based on the Issue Price of RM1.30.

An order of the High Court of Malaya will be sought to confirm our Company’s issued share capital reduction and repayment pursuant to Section 116 of the Act to facilitate the Proposed Distribution, after obtaining the approval from the Shareholders of our Company at the forthcoming EGM. The share capital reduction and repayment will take effect upon lodgement of the sealed court order of the High Court of Malaya with the Registrar of Companies.

For illustration, based on 1,692,307,692 Consideration Shares and the 5-day VWAP of AAX Shares up to the LPD of RM1.32, the issued share capital of our Company shall be reduced by RM2,233.8 million from RM8,769.4 million as at the LPD to RM6,535.6 million. The credits arising from the capital reduction and repayment of RM2,233.8 million will be transferred to the retained earnings of our Company to facilitate the distribution of 1,692,307,692 Consideration Shares received from the Proposed AAAGL Disposal to the Entitled Shareholders. The exact amount of issued share capital of our Company to be reduced is dependent on the prevailing market price of AAX Shares (i) immediately prior to our application to the High Court of Malaya for the issued share capital reduction and repayment of our Company and (ii) the Entitlement Date. Accordingly, our Board shall be given the full authority and empowerment to decide the final amount of issued share capital to be reduced to facilitate the Proposed Distribution of 1,692,307,692 Consideration Shares.

The reduction and repayment of our Company’s issued share capital pursuant to the Proposed Distribution will not result in:

(i) a cancellation of Capital A Shares;

(ii) a change in the number of Capital A Shares held by any of our shareholders; and

(iii) a change in the proportion of Capital A Shares held by any of our shareholders.

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

The Entitled Shareholders will not be required to pay for their entitlements to the Distribution Shares. The actual number of Distribution Shares which the Entitled Shareholders will receive under the Proposed Distribution will be calculated based on the following formula:

$$\frac{\text{No. of Shares held by Entitled Shareholder on the Entitlement Date}}{\text{No. of Capital A Shares in issue on the Entitlement Date}} \times \begin{array}{c}\text{Total Distribution Shares of} \\ \text{1,692,307,692 AAX Shares}\end{array}$$

The Distribution Shares will be allotted and issued to the Entitled Shareholders and credited directly into their central depository accounts based on their shareholdings in our Company on the Entitlement Date.

For illustration purpose, based on the total issued share capital of our Company of RM8,769.4 million comprising 4,306.9 million ordinary shares as at the LPD, the Distribution Shares are expected to be distributed on the basis of 392 new AAX Shares for every 1000 of Capital A Shares held by the Entitled Shareholders.

Fractional entitlements to the Distribution Shares, if any, will be disregarded and dealt with in such manner or terms as our Board (save for the Interested Directors) in its absolute discretion deems fit and expedient, and in the best interest of our Company.

Post Proposed Distribution, our Company will retain approximately 672.5 million AAX Shares. Our percentage of shareholding in AAX would depend on the number of AAX Placement Shares to be issued under the AAX Proposed Private Placement. On the assumption that the issue price of AAX Placement Shares is fixed at RM1.13 each which is assumed based on a 14.39% discount to the 5-day VWAP of AAX Shares up to the LPD of RM1.32, the total number of AAX Placement Shares to be issued would be approximately 885.0 million. Accordingly, our Company's shareholding in AAX would represent 18.48% of the enlarged issued share capital of AAX post completion of the Proposals as set out in Appendix I of this Circular. In the event the issue price of the AAX Placement Shares is higher than the illustrative price of RM1.13 each, the total number of AAX Placement Shares to be issued would be lower than the illustrated 885.0 million AAX Placement Shares, which would result in our Company holding a higher percentage of shareholding in AXX than 18.48%. On the contrary, should the issue price of the AAX Placement Shares be lower than the illustrative price of RM1.13 each, the total number of AAX Placement Shares to be issued would be higher than the illustrated 885.0 million AAX Placement Shares, which would result in our Company holding a lower percentage of shareholding in AXX than 18.48%.

The Proposed Distribution will result in an adjustment to the reference price of Capital A Shares by Bursa Securities upon completion of the Proposed Distribution.

The theoretical ex-price of Capital A Shares shall be adjusted based on the following formula:

$$T_x = P_F - \left(P_E \times \frac{X}{Y} \right)$$

where,

T_x = Theoretical ex-price of Capital A Shares (RM)

P_F = Closing price on last cum date of Capital A Shares (RM)

P_E = Closing price on last cum date of AAX Shares (RM)

X = Number of Distribution Shares (unit)

Y = Number of existing Shares (unit)

Solely for illustrative purposes only, based on the closing price of Capital A Shares and AAX Shares of RM0.77 and RM1.31 respectively as at the LPD, the theoretical ex-price of Capital A Shares is as below:

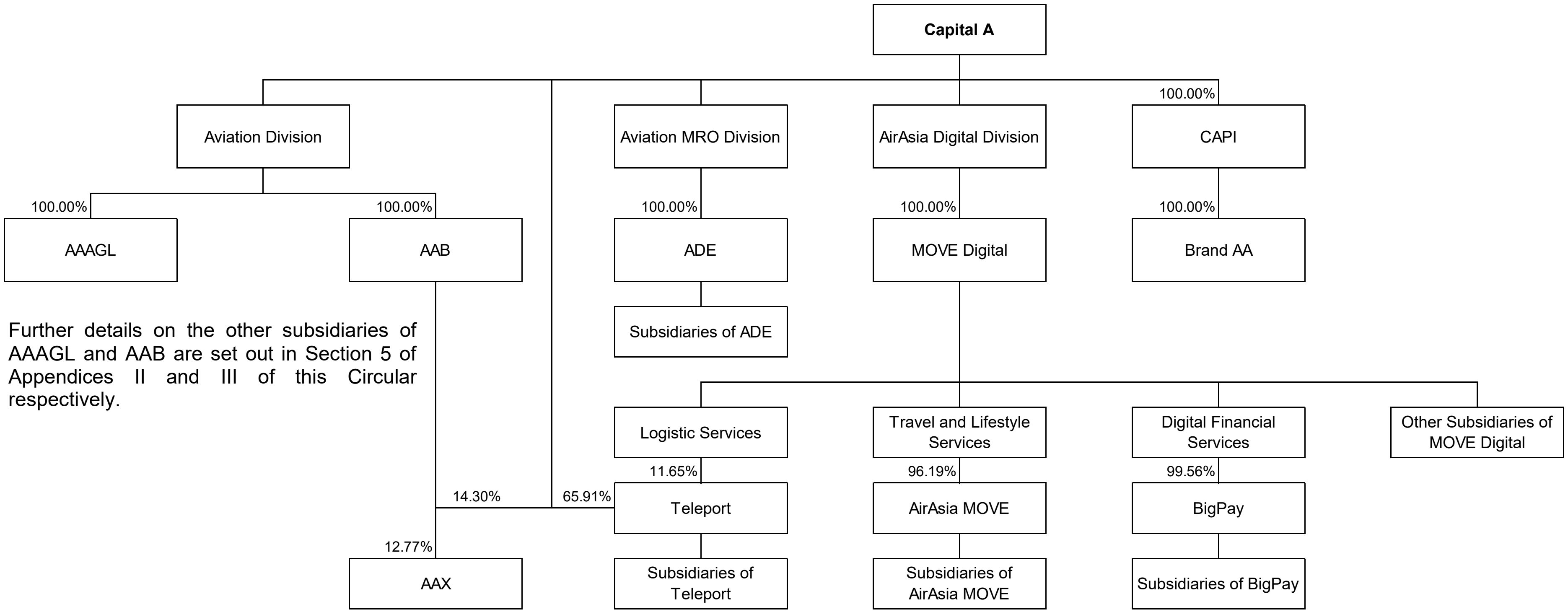
$$T_x = RM0.77 - \left(RM1.31 \times \frac{1{,}692{,}307{,}692}{4{,}306{,}905{,}831} \right)$$

$$\mathbf{T_x = RM0.26}$$

The group structure of our Group before and after the Proposals is illustrated in the following page.

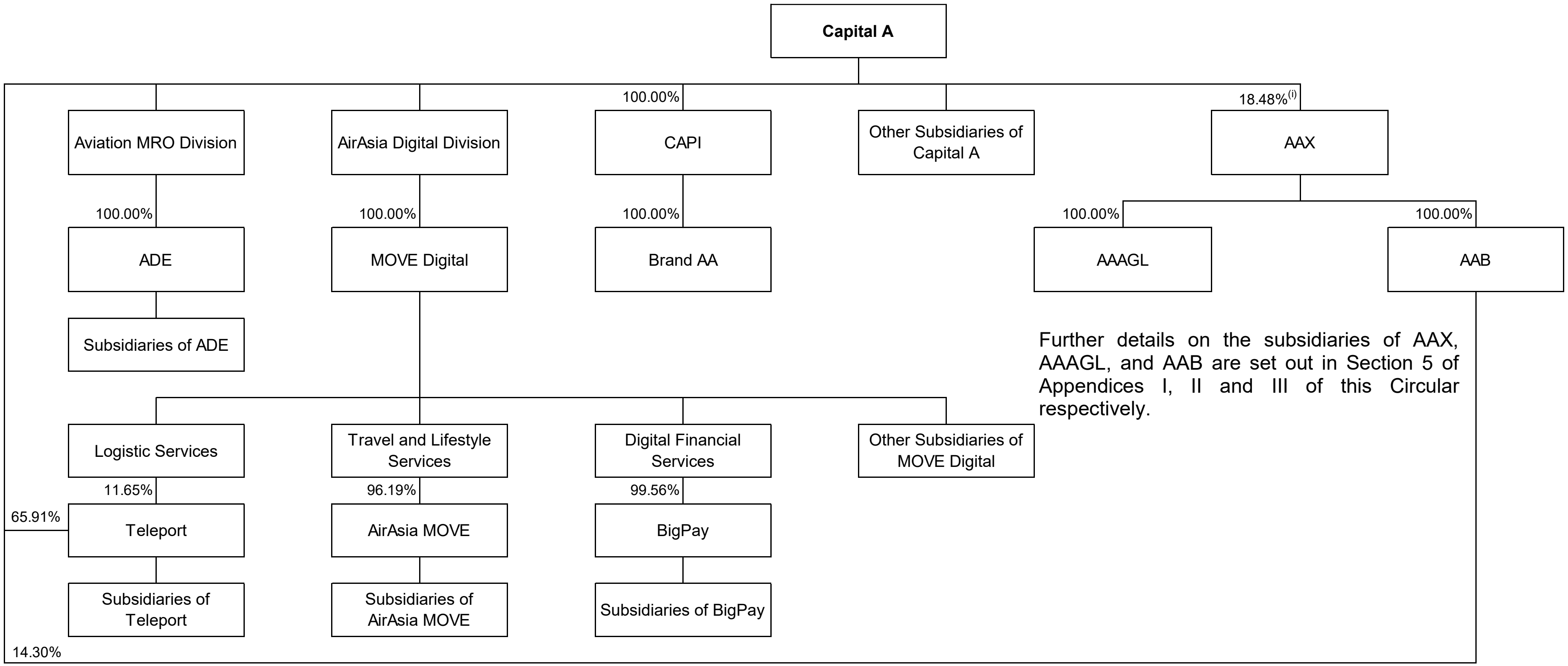
THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Before the Proposals



Further details on the other subsidiaries of AAAGL and AAB are set out in Section 5 of Appendices II and III of this Circular respectively.

After the Proposals



Note:

(i) *Refers to Capital A's shareholding in AAX post completion of the Proposals, which includes completion of the AAX Proposed Private Placement based on the assumption that the issue price of AAX Placement Shares is fixed at RM1.13 each based on a 14.39% discount to the 5-day VWAP of AAX Shares up to LPD of RM1.32, the total number of AAX Placement Shares to be issued would be approximately 885.0 million.*

6. RATIONALE AND BENEFITS OF THE PROPOSALS

6.1 Proposed Disposals

The Proposed Disposals are intended to be undertaken by our Company to streamline our Group's core business activities to focus on aviation services, logistics, digital and brand management businesses which are essential and complementary to the passenger airlines business. Upon completion of the Proposed Disposals, our Group's businesses mainly encompasses the following segments:

(i) Aviation MRO segment carried out by ADE, a wholly-owned subsidiary of our Company;

(ii) super app segment carried out by AirAsia MOVE, a 96.19%-owned subsidiary of our Company;

(iii) logistics segment carried out by Teleport, a 77.56%-owned subsidiary of our Company;

(iv) digital payments segment carried out by BigPay, a 99.56%-owned subsidiary of our Company;

(v) in-flight catering segment carried out by Santan, a wholly-owned subsidiary of our Company; and

(vi) intellectual property segment carried out by Brand AA, a wholly-owned subsidiary of our Company.

Further details on our Group's core business after the AAAGL Completion and AAB Completion (including the remaining businesses' financial information for the past 3 financial years up to the FYE 31 December 2023) are set out in Section 7 of Part A of this Circular.

Additionally, the Entitled Shareholders will be able to continue participating in the business of the New Aviation Group via AAX Shares to be allotted and issued to the Entitled Shareholders pursuant to the Proposed Distribution.

The Proposed Disposals are also expected to result in greater clarity of investment between our Company, being the aviation services, logistics, digital and brand management businesses provider, and AAX, a pure aviation business consolidating both long and short haul routes under the AirAsia brand name, enabling the capital market and other stakeholders to better ascertain the merits and prospects of each entity. This would facilitate business-centric valuation of the separate entities.

Our Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and is thereby expected to improve the shareholders' equity of our Group in our effort to regularise our financial conditions. The pro forma effects of the Proposals on the improvement to the NA and gearing of our Group based on the latest audited consolidated financial statements of our Company as at 31 December 2023 are set out in Section 10.2 of Part A of this Circular.

A summary of the key financial performance of the AAAGL Group and AAB Group for the past 3 financial years up to the FYE 31 December 2023 are set out below:

(a) AAAGL Group

	Audited		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	-	22,245	5,630,969
PBT/(LBT)	3,701	(302,591)	874,985
PATAMI/(LATAMI)	3,701	(302,591)	1,137,184

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

The AAAGL Group recorded revenue of RM22.3 million for the FYE 31 December 2022, which was contributed mainly from the provision of aviation and commercial services of RM22.1 million by AirAsia (Guangzhou) Aviation Service Limited Company which was acquired during the FYE 31 December 2022.

The AAAGL Group recorded LATAMI of RM302.6 million for the FYE 31 December 2022, a decrease of RM306.3 million as compared to a PATAMI of RM3.7 million for the FYE 31 December 2021, mainly attributed to the share of losses of associates of approximately RM297.8 million mainly arising from the share of losses in AAV.

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

The AAAGL Group recorded an improved revenue of approximately RM5,631.0 million for the FYE 31 December 2023 as compared to RM22.3 million for the FYE 31 December 2022, mainly attributable to the accounting consolidation of TAA, IAA and PAA which were deemed as subsidiaries of AAAGL with effect from the FYE 31 December 2023 pursuant to the SBLAs entered into between AAAGL and the sub-licensees, namely TAA, IAA and PAA together with their respective AOC Holdco, namely AAV, AAID and AAI, where the sub-licensees have to comply with the branding guidelines and operating requirements in relation to the operations of the AOCs as "AirAsia" branded airlines as well as any new or amended policies and standards prescribed by AAAGL. Accordingly, in accordance with the applicable accounting standards, AAV, AAI and AAID are therefore deemed as subsidiaries of AAAGL for accounting purposes with effect from the FYE 31 December 2023. TAA, IAA and PAA recorded sale of scheduled flights and chartered flights amounting to RM4,569.6 million and ancillary revenue amounting to RM1,030.9 million for the FYE 31 December 2023.

The AAAGL Group recorded a PATAMI of approximately of RM1,137.2 million for the FYE 31 December 2023, an increase of RM1,439.8 million as compared to a LATAMI of RM302.6 million for the FYE 31 December 2022. The increase in profit was mainly attributable to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses amounting to RM2,375.3 million, maintenance and overhaul expenses of RM1,365.7 million and user charges amounting to RM932.6 million for the FYE 31 December 2023. In addition, there was a gain on remeasurement of previously held interest in associate amounting to RM1,547.9 million, derived primarily from the impacts resulting from the change of status of AAV, AAID, AAI, TAA, IAA and PAA from associates to subsidiaries of AAAGL for accounting consolidation purposes during the FYE 31 December 2023.

(b) AAB Group

	Audited		
	FYE 31 December		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
Revenue	691,358	3,784,775	6,420,374
PBT/(LBT)	(2,472,776)	(1,778,995)	3,626,938
PATAMI/(LATAMI)	(2,473,766)	(1,782,331)	3,620,868

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

AAB Group recorded revenue of approximately RM3,784.8 million for the FYE 31 December 2022, an increase of approximately RM3,093.4 million or 447% from approximately RM691.4 million for FYE 31 December 2021, mainly attributed to the relaxation of travel restrictions, including testing, quarantine and entry requirements amidst the COVID-19 pandemic. Consequently, AAB Group carried 16.78 million passengers during the FYE 31 December 2022 as compared to 3.13 million in the previous financial year. Hence, passenger service revenue increased by RM2,361.6 million or 475% to RM2,859.1 million for FYE 31 December 2022 as compared to RM497.5 million for FYE 31 December 2021. Additionally, ancillary revenue increased by RM685.7 million or 380% to RM866.2 million for the FYE 31 December 2022 as compared to RM180.5 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees as a result of a higher number of passengers resulting from the resumption of international flights.

AAB Group recorded a LATAMI of approximately RM1,782.3 million for FYE 31 December 2022 as compared to a LATAMI of approximately RM2,473.8 million for the previous financial year, representing a decrease in losses of approximately RM691.5 million or 28%. This was mainly due to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses which increased by RM1,694.9 million or 742% from RM228.4 million for the FYE 31 December 2021 to RM1,923.3 million for the FYE 31 December 2022, resulting from higher fuel consumption and rising fuel prices in the global market.

(ii) **FYE 31 December 2023 compared to FYE 31 December 2022**

AAB Group recorded revenue of approximately RM6,420.4 million for the FYE 31 December 2023, an increase of RM2,635.6 million or 70% from RM3,784.8 million for the FYE 31 December 2022, marking the highest revenue recorded by the AAB Group since the inset of the COVID-19 pandemic. The increased revenue during the FYE 31 December 2023 was mainly attributable to the further reactivation of an additional twenty-eight (28) operating aircraft during this financial year, resulting in seventy-one (71) operating aircraft in the AAB Group's fleet as at 31 December 2023, thereby further increasing seat capacity for the AAB Group's scheduled flight operations.

Hence, seat sales revenue increased by RM1,450.2 million or 51% to RM4,309.3 million for the FYE 31 December 2023 as compared to RM2,859.1 million for the FYE 31 December 2022. The AAB Group recorded an increase in its average base fare to RM224 for FYE 31 December 2023 as compared to RM192 for the previous financial year. Additionally, ancillary revenue increased by RM1,160.8 million or 134% to RM2,027.0 million for the FYE 31 December 2023 as compared to RM866.2 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees due to the higher number of passengers, resulting from more aircraft back into service.

The AAB Group recorded a PATAMI of approximately RM3,620.9 million for the FYE 31 December 2023 as compared to a LATAMI of RM1,782.3 million for the previous financial year, representing an increase of approximately RM5,403.2 million. The improvement was mainly due to the one-off gain from disposal of AirAsia Brand of RM 4,500.0 million, the higher revenue as explained above, partially offset by higher operating expenses, particularly from aircraft fuel expenses which rose by RM879.5 million or 46% from RM1,923.3 million for the FYE 31 December 2022 to RM2,802.8 million for the FYE 31 December 2023 resulting from higher fuel consumption and rising fuel prices in the global market.

Please refer to Section 6 of Appendices II and III of this Circular for further details on the historical financial information on AAAGL Group and AAB Group, respectively.

6.2 Proposed Distribution

The Proposed Distribution to be undertaken in conjunction with the Proposed AAAGL Disposal is intended to:

(i) reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX, while allowing clarity of investment in two distinct entities with different business activities namely, the aviation businesses and the aviation services, logistics, digital and brand management businesses; and

(ii) enable the Entitled Shareholders to potentially benefit directly from the future performance of AAX.

7. PROSPECTS OF OUR GROUP

Our Board intends to maintain the listing status of our Company and our Group's core businesses after the completion of the Proposed Disposals are principally in the following:

(i) Capital A Aviation Services

(a) Aviation MRO: Aviation MRO services, which includes line maintenance services, base maintenance services, workshop services, components and warehouse services and technical advisory services carried out by ADE, our wholly-owned subsidiary, and its subsidiaries; and

(b) In-flight Catering: Provision of in-flight catering and services to AirAsia flights, other airlines and other modes of transportation, supplier of ready-to-eat means to retail outlets and catering services under the "Santan Café" tradename carried out by Santan.

(ii) Digital Businesses under MOVE Digital

(a) Online travel agency: Operations and management of a online travel agency focusing on selling flight tickets, hotels, airport transfer, duty free shopping and other travel related services carried out by AirAsia MOVE, our 96.19%-owned subsidiary, and its subsidiaries; and

(b) Financial technology services: Digital financial services business, which includes payment, remittance, lending and money management services carried out by BigPay, our 99.56%-owned subsidiary, and its subsidiaries.

(iii) Logistics

Logistics: Logistic services and solutions under the name "Teleport", carried out by Teleport, our 77.56%-owned subsidiary, and its subsidiaries.

(iv) AirAsia Brand

Brand and intellectual property company: Brand and intellectual property development, licensing and management business carried out by Brand AA, our wholly-owned subsidiary, as exclusive licensor for the AirAsia Brand.

After the Proposals, our Group would replace the loss of revenue and income contribution from AAAGL Group and AAB Group mainly with revenue and income from ADE, AirAsia MOVE, Teleport, BigPay, Brand AA and Santan as detailed in the ensuing sections.

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

7.1 ADE

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

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

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

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

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

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

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

Commentaries of past financial performance:

(i) **FYE 31 December 2022 compared to FYE 31 December 2021**

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

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

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

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

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

7.2 AirAsia MOVE

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

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

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

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

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

(b) Develop direct relationships with airlines and hotels to obtain attractive inventories;

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

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

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

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

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

Note:

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

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

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

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

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

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

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

7.3 Teleport

Teleport is involved in the provision of the following services:

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

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

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

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

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

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

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

Note:

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

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

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

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

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

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

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

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

7.4 BigPay

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

BigPay’s products and services are primarily as follows:

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

(b) **Remittance services** – transfer of funds from BigPay platform accounts to other BigPay users or to bank accounts around the world via P2P transfer, DuitNow Transfer and DuitNow QR, local bank transfer and international remittance;

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

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

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

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

	Audited	**Unaudited**	
	FYE 31 December		
	[(a)]2021	**[(a)]2022**	**[(a)]2023**
	RM'000	**RM'000**	**RM'000**
Revenue	20,879	30,036	46,010
PBT/(LBT)	(138,807)	(133,741)	(153,604)
PAT/(LAT)	(138,807)	(133,763)	(106,919)

Note:

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

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

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

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

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

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

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

BigPay Group recorded an improvement in the LAT of RM106.9 million for the FYE 31 December 2023 as compared to a LAT of RM133.8 million for the preceding financial year, mainly attributable to the increase in revenue and improvement in cost management with lower operating expenses.

7.5 Brand AA

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

Pursuant to the MBLA, AAB is entitled to collect a royalty fee from AAAGL. AAAGL as the exclusive licensee, in turn had executed a tripartite SBLA with each of the AOCs and the AOC Holdco, as well as TAAX, where AAAGL is entitled to collect a sub-license royalty fee. Upon completion of the transfer of the AirAsia Brand from AAB to Brand AA, Brand AA assumes AAB’s right under the MBLA to collect the royalty fee from AAAGL who in turn collects the sub-license royalty fees from the AOCs and TAAX. Brand AA charges a royalty fee rate of 1% on all revenues (including fares and ancillary income) of the AOCs and TAAX whereas AAX pays a royalty fee of 0.5%.

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

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

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

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

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

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

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

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

Our Company had on 28 February 2024 announced that our Company intended to undertake the Proposed Business Combination and Proposed SPAC Distribution (as defined in Section 18(b) of Part A of this Circular respectively). For illustration purposes, assuming our Company holds 46.1% of the enlarged issued shares of CAPI upon completion of the Proposed Business Combination and Proposed SPAC Distribution (after taking into account the existing shareholders of GMFI (as defined in Section 18(b) of Part A of this Circular)), Brand AA will cease to be a wholly-owned subsidiary of Capital A and as such, our Group shall recognise the income contribution from Brand AA in the form of share of profit from associates instead of consolidating the income contribution of Brand AA as a wholly-owned subsidiary.

7.6 Santan

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

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

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

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

Commentaries of past financial performance:

(i) FYE 31 December 2022 compared to FYE 31 December 2021

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

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

(ii) FYE 31 December 2023 compared to FYE 31 December 2022

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

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

7.7 Future direction, outlook and prospects of our Group after the Proposals

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

(i) **Capital A Aviation Services**

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

The planned expansion in the number of hangar lines is in anticipation of an increase in demand for aviation MRO services in Southeast Asia in view of increased tourism activities and growth in the aviation industry as discussed in Section 8.2 of Part A of this Circular. The main key drivers to ADE's growth would include increased AirAsia flight frequencies and expansion of flight routes, reactivation of AirAsia's hibernated aircraft from storage as well as increased line and base maintenance bookings secured from other airlines and a growth in passenger air travels and expansion of flight routes by other airlines.

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

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

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

(ii) MOVE Digital

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

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

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

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

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

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

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

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

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

(iii) Teleport

Teleport plans to expand its business by leveraging on AirAsia's extensive air network, the capacity provided by its own recently inducted freighters as well as numerous strategic partnerships. Teleport aims to become a major integrated logistic solution provider and partner.

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

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

Whilst Teleport Group reported an audited LAT of USD0.7 million (equivalent to approximately RM3.1 million*) for the FYE 31 December 2023, Teleport Group's LAT has reduced significantly from USD15.1 million (equivalent to approximately RM66.2 million) for the FYE 31 December 2022 due to better performance in its freight and delivery services as detailed out in Section 7.3 of Part A of this Circular.

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

(iv) Brand AA

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

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

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

Taking cognisance of the future direction, outlook and prospects of our Group, we believe we are on a strong footing for growth and profitability.

(Source: Our management)

8. INDUSTRY OVERVIEW AND PROSPECTS

8.1 Overview and outlook of the Malaysian economy

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

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

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

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

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

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

8.2 Overview and outlook of the aviation industry

Industry-wide air passenger traffic, measured in RPK, grew 8.0% year-on-year in July 2024, outpacing the 7.4% year-on-year growth in ASK. International and domestic traffic saw 10.1% and 4.8% growth over the same period, respectively. Passenger load factor recorded a peak of 86%, reflecting strong air travel demand.

Air Passenger Market in Detail

	World share (% of industry RPKs in 2023)	RPK (% year-on-year)	ASK (% year-on-year)	Passenger load factor (%)
Total market	**100.0**	**8.0**	**7.4**	**86.0**
Africa	2.1	6.6	5.8	75.0
Asia Pacific	31.7	12.0	9.8	83.4
Europe	27.1	7.2	7.0	88.2
Latin America	5.5	7.5	8.4	86.2
Middle East	9.4	6.1	5.5	84.0
North America	24.2	4.9	5.1	88.9

(Source: Air Passenger Market Analysis July 2024 and press release dated 29 August 2024, International Air Transport Association)

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

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

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

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

For the first three quarters in 2023, Malaysia's passenger traffic has grown consistently at an average rate of 7.6% quarter-on-quarter. As at October 2023, passenger traffic reached 69.9 million. Due to this stronger-than-anticipated performance, MAVCOM has revised upwards its air passenger traffic forecast for 2023. It is now expected to grow by 54% to 58% year-on-year translating to 84.5 million to 86.5 million passengers as compared to the previous forecast of 74.6 million to 80.8 million.

In 2024, MAVCOM anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting a growth between 10% and 25% year-on-year. This forecast signifies a recovery of up to 98% of 2019 levels. Domestic and international travel to China and the South East Asian region will influence the recovery momentum. Downside risks include heightened jet fuel prices, depreciation of the Ringgit, delays in aircraft deliveries, and manpower-related issues.

Malaysia remained in the 5th position in South East Asia, with a connectivity score of 79.7 in the third quarter of 2023. At the airport level, Kuala Lumpur International Airport ranked 3rd amongst the major airports in South East Asia in terms of direct air connectivity with a score of 59.9. Singapore Changi Airport remained at the forefront with a score of 102.1, followed by Suvarnabhumi Airport in Bangkok, Thailand at 89.1.

Approximately 55.3% of Malaysia's international seat capacity was concentrated on South East Asian destinations, indicating a significant reliance on traffic between neighbouring countries.

In the third quarter of 2023, it was reported that AAB continued to have the largest local airline market share of 37.4% with AAX at 3.8%. Malaysia Airlines, Batik Air and Firefly reported market shares of 16.5%, 6.8% and 4.5%, respectively.

(Source: Waypoint Report: Malaysian Aviation Industry Outlook (December 2023))

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

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

(Source: Megahubs 2024, OAG)

For the month of August 2024, AirAsia was the second largest carrier amongst 10 airlines in the Southeast Asian region by seat volume, with 2.6 million seats, while Thai AirAsia was the sixth largest carrier with 1.7 million seats. The competitors in the Southeast Asian region includes, but is not limited to, Lion Air, Vietnam Airlines and Vietjet, with 3.1 million, 2.4 million and 2.1 million seats respectively.

(Source: Southeast Asia Aviation Market Data, OAG)

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

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

(Source: Our management)

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

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

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

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

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

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

(Source: Our management)

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

(Source: The Philippines' Civil Aeronautics Board)

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

(Source: Our management)

8.3 Prospects of AAX

As at the LPD, AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and does not own any aircraft.

The Proposed Disposals allow all the airline entities operating under the “AirAsia” brand (including “AirAsia X” brand) to be housed under AAX to form the New Aviation Group. This allows the AAX Group to be part of an enlarged aviation group with award-winning airlines with over 22 years of established history and track record. The New Aviation Group will operate and provide a full spectrum of short, medium and long-haul low-cost air transportation services, with domestic flights and international flights from Malaysia, Thailand, the Philippines, Indonesia and Cambodia to numerous destination countries. The New Aviation Group is expected to maintain a total fleet of 242 aircraft with 209 aircraft in operation by the completion of the Proposals expected in early 2025 of which 3 aircraft are owned and the remaining aircraft are leased.

AAX Group will continue to adopt a business model that will enable it to offer low fares by maintaining low CASK, which has contributed to the past success of the AirAsia airlines. The ability of the AirAsia airlines to offer low fares and maintain low CASK is attributed to no-frills flights business model adopted, high aircraft utilisation, in-house and direct customer acquisition channels (i.e. www.airasia.com and the AirAsia MOVE Super App), efficient usage of data, technology and automation in all aspects of operations, i.e., a lean cost structure. The advantages to this business model include simplified operations, the ability to attract price-sensitive customers, flexibility in pricing as well as market penetration. However, the disadvantage associated with this business model includes potential customer experience issues.

The extensive network connectivity and high flight frequencies offered by the AirAsia airlines to be housed under AAX Group will allow the enlarged aviation group to capture the travel needs of a wide range of customers travelling within the South East Asia and Asia Pacific regions. It enables the airlines to leverage on each airline’s routes and high flight frequencies to offer Fly-Thru flights whereby passengers can purchase connecting flights offered by the airlines for travels within the South East Asia and Asia Pacific regions. Therefore, it allows AAX Group to potentially capture a higher market share for air travel within the regions.

AAX Group will be led by a seasoned key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines to be housed under the enlarged aviation group. Upon completion of the Proposed Disposals, under the leadership of Bo Lingam as the Group Chief Executive Officer of AAX Group, the existing key senior management of the respective airlines will carry on their existing roles and responsibilities to ensure smooth daily operations including the execution of future plans and business strategies under the enlarged aviation group.

As the economic activities and supply chain of the aviation industry normalise, the aviation industry in Malaysia and Asia Pacific region is forecasted to recover close to their respective pre-COVID-19 levels by 2024. The recovery and growth of the industry are also expected to be fuelled by the granting of visa-free travel to Malaysia for up to 30 days for tourists from India and China by the government of Malaysia effective 1 December 2023 until 31 December 2024 and 31 December 2026 respectively, as well as the declaration of Visit Malaysia Year 2026. These are expected to drive the demand for air travel to and from Malaysia, China, India and around the Asia Pacific countries. In conjunction with Visit Malaysia Year 2026, the Ministry of Tourism, Arts and Culture, Malaysia is expecting RM147.1 billion in income from 35.6 million tourists in 2026, an increase at compound annual growth rate of approximately 8.0% and 4.5% respectively from pre-COVID-19 levels of RM86.1 billion in income and 26.1 million tourists in 2019.

With the respective industry track record of each airline to be housed under the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation Group, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward through the following strategies and plans:

- Over the next 3 years, the airlines within the New Aviation Group will focus on increasing their flight frequencies and expand their fleet of aircraft accordingly to capture the growing demand for air travel and maintain their positions as one of the market leaders in the respective regions where the airlines operate in. ‘AirAsia Cambodia’, the newly established airline of AAAGL, is utilising 2 A320 aircraft based at Phnom Penh International Airport to serve domestic flight operations, covering Phnom Penh, Siem Reap, and Sihanoukville. Subsequently, the New Aviation Group will assess the potential of expanding its coverage to new destinations.

- The New Aviation Group intends to capitalise on the growing prospects of the aviation industry by increasing its passenger volume which will then contribute to the growth in its market share. This is in line with the New Aviation Group’s strategies as it envisages to maintain its position as one of the market leaders in the regions which its airlines operate in as well as to maintain and grow its market share in the Asia Pacific region. The New Aviation Group also intends to increase its revenue and grow its market share in Cambodia through its latest airline, ‘AirAsia Cambodia’ which commenced operations in May 2024.

- Further growth in revenue from ancillary services to enhance the airlines’ financial performance, through pricing optimisation and automation, product innovation and marketing expansion, personalised marketing and strategic collaborations and partnerships with the AirAsia Group to increase cross-selling opportunities.

- The New Aviation Group expects to also maintain an expanded portfolio of new-generation aircraft comprising both narrowbody and widebody aircraft types, namely the A321neo, the A321LR, the A321XLR and A330neo, supported with the New Aviation Group’s aircraft orderbook totalling 396 aircraft, with delivery scheduled between 2024 - 2035. Within the next three years, the New Aviation Group expects to take delivery of a total of 34 aircraft from its orderbook, all of which are expected to be on operating leases by way of sale-and-leaseback arrangements with aircraft lessors. In addition, the New Aviation Group also expects to take delivery of 10 A321neo aircraft from an identified lessor’s aircraft orderbook by way of operating leases in 2025.

The future growth and success of the New Aviation Group will be backed by an established AirAsia Ecosystem. The New Aviation Group will gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand which is an established brand in the aviation industry, and to secure continuous collaborations and comprehensive support services from the AirAsia Ecosystem. The New Aviation Group will also have the requisite capacity for its growth ambitions. With all of its upcoming aircraft delivery structured under operating leases by way of sale-and-leaseback arrangements with lessors, the New Aviation Group would gain the flexibility in its future fleet management and utilisation, without the risks and costs of ownership, effectively contributing to the lean and savvy nature of its business model.

In terms of financing for the New Aviation Group's aviation businesses, the AAX Proposed Private Placement is expected to provide necessary funds to the New Aviation Group in addition to its internally generated funds and externally sourced financing.

(Source: The management of AAX)

9. RISK FACTORS OF THE PROPOSALS

In view that our Group and AAX are involved in the aviation industry, the Proposals are not expected to materially change the risk profile of our Group's business. Save as disclosed below which are by no means exhaustive, our Board (save for the Interested Directors) does not foresee any other additional risks arising from the Proposals given that our Group is already involved in the aviation industry.

9.1 Non-completion of the Proposals

The completion of the Proposals is subject to the approvals as set out in Section 11 of Part A of this Circular being obtained. In the event any of the approvals are not obtained, our Company and AAX will not be able to complete the Proposals and all the potential benefits arising therefrom will not materialise.

The AAAGL Completion and AAB Completion are conditional upon the conditions precedent of the SSPAs, as set out in Section 3 of Appendices IV and V of this Circular, being fulfilled or waived (as the case may be). In the event of non-fulfilment or non-waiver of the conditions precedent within the stipulated time frame, our Company and AAX may agree to extend the timeframe for the conditions precedent to be met, or failing such agreement to extend, the relevant SSPA shall lapse and cease to have further effect. There can be no assurance that all the conditions precedent will be fulfilled or waived (as the case may be) in accordance with the terms of the relevant SSPA within the stipulated time frame.

The completion of the AAAGL SSPA and AAB SSPA are also subject to AAX completing the AAX Proposed Private Placement. The market price of AAX Shares may be influenced by, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions. There can be no assurance that the AAX Proposed Private Placement could be successfully completed and as such, the Proposals may not be completed.

Nevertheless, our Company will endeavour to ensure that all the conditions precedent for each of the SSPAs, insofar as they are within the control of our Company, will be fulfilled or waived (as the case may be) within the stipulated time frame to complete the Proposals.

9.2 Contractual risk

Our Company has provided, and are subject to, certain representations, warranties and undertakings, in favour of AAX as set out in the SSPAs. In this respect, our Company may be subject to claims in accordance with the terms and conditions of the SSPAs in the event of any breach of any such representations, warranties and undertakings given by our Company. There can be no assurance that such claim amount will not materially impact the financial performance of our Group. In this regard, our Company will endeavour to ensure compliance with our obligations under the SSPAs in order to minimise the risk of any breach of such representations, warranties or undertakings given in the SSPAs.

The SSPAs may be terminated at any time prior to the completion of the Proposed Disposals in any of the following events:

(i) our Company or AAX, as the case may be, becomes aware that the other party's warranties was untrue or inaccurate;

(ii) any inconsistency with the warranties given by either AAX or our Company, as the case may be, is discovered;

(iii) an occurrence of a Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix IV or Note (1) to Section 5(iii) of Appendix V of this Circular); or

(iv) an occurrence of any other breach on the part of either our Company or AAX of the terms of the SSPAs.

9.3 Capital market risk

There is no assurance that the market price of the Consideration Shares will trade at or above RM1.30 per AAX Share after the completion of the Proposals. The market price of the Consideration Shares is influenced by, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions. In addition, the performance of the Malaysian share market (where the AAX Shares are listed) is dependent on the economic and political conditions in Malaysia as well as external factors such as, among others, the performance of the world bourses and flows of foreign funds.

9.4 Lower gains arising from the Proposed AAAGL Disposal

The reduction in the effective ownership in AAAGL via our shareholding in AAX means that our Company will no longer have control over AAAGL as a subsidiary. Instead, our Company will hold its remaining investment in AAAGL at fair value.

The gain arising from the Proposed AAAGL Disposal needs to be considered together with the effect of the Proposed Distribution. This gain is calculated by subtracting the net liabilities of AAAGL and the cost of disposal from the fair value of the consideration receivable for the Proposed AAAGL Disposal net of the Proposed Distribution to our Company's shareholders. The difference between the market price of AAX Shares upon the completion of the Proposed Disposal of AAAGL and issue price of RM1.30 per Consideration Share would affect this gain.

Our Company's interest in AAX is required to be remeasured based on its fair value on the actual AAAGL Completion Date (which is not known until a later date). In the event that the market price of AAX Shares falls below RM1.30 (being the Issue Price) on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal. On the contrary, should the market price of AAX Shares trade above RM1.30 on the AAAGL Completion Date, the net increase in value would contribute to an increased gain arising from the Proposed AAAGL Disposal. As such, the gain on disposal as at the actual AAAGL Completion Date could be materially different from that illustrated in the expected pro forma gain arising from the remeasurement of remaining interest in AAAGL and the pro forma effect of the Proposed AAAGL Disposal as disclosed in Section 2.9 and Section 10.2 of Part A of this Circular, respectively, and they should not be taken to represent the final gain on disposal.

For the avoidance of doubt, there will not be any impairment of goodwill arising from the Proposed Disposals.

9.5 Loss of contribution from AAAGL Group and AAB Group

AAAGL and AAB are our wholly-owned companies and we consolidate the earnings or losses of AAAGL Group and AAB Group. After the completion of the Proposed Disposals, our Company will cease to consolidate the earnings or losses of AAAGL Group and AAB Group.

Notwithstanding the above, our Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and is thereby expected to improve the shareholders' equity of our Group in our effort to regularise our financial conditions. The pro forma effects of the Proposals on the improvement to the NA and gearing of our Group based on the latest audited consolidated financial statements of our Company as at 31 December 2023 are set out in Section 10.2 of Part A of this Circular.

After the completion of the Proposed Disposals, our Group will focus on aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business of the New Aviation Group (which will be a pure aviation business that offers both long and short haul routes under the AirAsia brand name) and the synergistic benefits from the ecosystem of the services offered under the AirAsia brand name are expected to contribute positively to the remaining businesses and financial performance of our Group. The prospects of our Group are set out in Section 7.7 of Part A of this Circular.

9.6 Risk of AAX falling back into PN17 status

Upon completion of the Proposals and AAX's Proposed Corporate Exercises (as defined in Section 1 of Appendix I), our Company is expected to retain 18.48% of the enlarged total number of issued shares of AAX post completion of AAX's Proposed Corporate Exercises.

AAX was previously classified as a PN17 company until the upliftment of its PN17 status on 22 November 2023. There is no assurance that AAX will not trigger any prescribed criteria under Paragraph 2.1 of PN17 and be classified as a PN17 Issuer again following the completion of the Proposed Disposals in view that AAAGL and AAB were the major contributors to the decline in financial performance and financial position of our Company during the COVID-19 pandemic period.

With the respective industry track record of each airline to be housed under the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation Group as set out in Section 8.3 of Part A of this Circular, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward.

In addition, AAX will undertake the Proposed Private Placement of RM1,000.00 million to strengthen its financial position prior to completing the Proposed Disposals. Furthermore, one of the conditions precedent in the SSPAs requires that each of the AAAGL Group and AAB Group does not incur or record an aggregate loss exceeding RM50.00 million during the 3-month period immediately preceding the AAAGL Completion Date and AAB Completion Date respectively.

9.7 Dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options

Upon completion of the Proposals and subject to the approval of the shareholders of AAX, AAX is desirous to grant Garynma the AAX Subscription Options by way of the AAX Proposed Post-Completion Options. The AAX Subscription Options, as and when exercised, will result in the dilution of our Company's shareholdings in AAX. The extent of the dilution of our Company's shareholdings in AAX will depend on the number of AAX Shares subscribed by Garynma under the AAX Proposed Post-Completion Options.

Nevertheless, the exercise price of the AAX Subscription Options will be based on the market price of the AAX Shares as at the last trading day prior to the acceptance by Garynma of the Subscription Option during the period of 48 months from the date of granting of the Subscription Option. The exercise of the AAX Subscription Options is a form of fund-raising exercise for AAX Group. Despite our Company's risk of shareholding dilution in AAX, the share issuance pursuant to the AAX Subscription Options is expected to strengthen AAX's shareholders' fund.

For information purposes only, upon completion of the Proposals and the AAX Proposals, which include AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options, our Company is expected to retain 16.50% of the enlarged total number of issued shares of AAX post completion of the AAX Proposals assuming 885.0 million AAX Placement Shares are issued at an issue price of RM1.13, and the full subscription of the AAX Proposed Post-Completion Options after the completion of the AAX Proposed Private Placement.

Further details of the AAX Proposed Post-Completion Options are set out in Appendix I of this Circular.

10. EFFECTS OF THE PROPOSALS

The pro forma effects of the Proposals have been prepared based on the following scenarios:

Minimum Scenario : Based on the assumption that none of the outstanding RCUIDS are converted and the outstanding Warrants are exercised into new Shares prior to the Entitlement Date.

Maximum Scenario : Based on the assumption that all the outstanding RCUIDS and Warrants in our Company are converted and exercised into new Shares prior to the Entitlement Date.

Note: *The Minimum Scenario and Maximum Scenario do not take into account the outstanding ESOS Options, which were granted to selected eligible employees and executive directors of our Group on 3 August 2021 and are subject to the vesting conditions attached to the ESOS Options. As at the LPD, the vesting conditions attached to the ESOS Options have not been met. Accordingly, none of the outstanding ESOS Options will be exercised by the grantees prior to the Entitlement Date.*

10.1 Issued share capital and substantial shareholders' shareholdings

For illustration purposes, the pro forma effects of the Proposals on the issued capital of our Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	Amount (RM' 000)	No. of Shares ('000)	Amount (RM' 000)
Issued share capital as at the LPD	4,306,906	8,769,411	4,306,906	8,769,411
Add : Shares to be issued assuming all the outstanding RCUIDS are converted	-	-	890,503	667,878
Add : Shares to be issued assuming all the outstanding Warrants are exercised	-	-	649,670	649,670
Less : Reduction in the issued share capital pursuant to the Proposed Distribution	-	(2,233,846)[1]	-	[1](2,233,846)
Resultant issued share capital	**4,306,906**	**6,535,565**	**5,847,079**	**7,853,113**

Note:

(1) For the purpose of illustration in the pro forma effects above, the reduction in the issued share capital pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares of up to and including the LPD.

The Proposals will not have any effect on the substantial shareholders' shareholdings in the Company as the Proposals do not involve any issuance of new Shares.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

10.2 NA per Share and gearing

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

Minimum Scenario

	Audited as at 31 December 2023	(I) After the Proposed AAAGL Disposal and Proposed Distribution[(2)]	(II) After (I) and the Proposed AAB Disposal[(3)]
	RM'million	**RM'million**	**RM'million**
Share Capital	8,711.7	6,477.9	6,477.9
Merger Deficit	(5,507.6)	(5,507.6)	-
Other Reserves	138.7	128.3	110.1
Foreign Exchange Reserve	217.1	163.2	(59.9)
Accumulated Losses	(12,322.0)	(8,287.3)	(5,878.7)
Shareholders' equity/ NA	**(8,762.1)**	**(7,025.5)**	**649.4**
Number of ordinary shares in issue ('million)	4,254.58	4,254.58	4,254.58
NA per Share (RM)	(2.06)	(1.65)	0.15
Total borrowings (RM'million)	24,180	17,784	1,734
Gearing ratio (times)	[(1)]N/A	N/A	2.67

Notes:

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

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

(a) the share consideration received for the Proposed AAAGL Disposal of approximately RM3.0 billion. For the purpose of illustration in the pro forma effects above, the purchase consideration was illustrated at approximately RM3.0 billion which was based on the issue price of each Consideration Share of RM1.32, being the 5-day VWAP of AAX Shares up to and including the LPD;

(b) the deconsolidation of AAAGL from our Group;

(c) for the purpose of illustration in the pro forma effects above, the reduction in the issued share capital pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares up to and including the LPD;

(d) the decrease in accumulated losses is due to the pro forma gain arising from the remeasurement of remaining interest of our Company in AAAGL of RM3.6 billion and the transfer of AAAGL's other reserves to accumulated losses of RM428.7 million; and

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

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

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

(b) *the deconsolidation of AAB from our Group;*

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

(d) *the decrease in accumulated losses is due to the pro forma gain arising from the Proposed AAB Disposal of RM7.7 billion and transfer of AAB's other reserves to accumulated losses of RM241.3 million, which is offset by the reclassification of merger deficit of RM5.5 billion; and*

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

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

Maximum Scenario

	Audited as at 31 December 2023	**(I) Assuming all the outstanding RCUIDS and Warrants are exercised(2)**	**(II) After (I) and the Proposed AAAGL Disposal and Proposed Distribution(4)**	**(III) After (II) and the Proposed AAB Disposal(5)**
	RM'million	**RM'million**	**RM'million**	**RM'million**
Share Capital	8,711.7	10,068.5	7,834.7	7,834.7
Merger Deficit	(5,507.6)	(5,507.6)	(5,507.6)	-
Other Reserves	138.7	59.3	49.0	30.7
Foreign Exchange Reserve	217.1	217.1	163.2	(59.9)
Accumulated Losses	(12,322.0)	(12,250.3)	(8,215.7)	(5,807.0)
Shareholders' equity/ NA	**(8,762.1)**	**(7,413.0)**	**(5,676.4)**	**1,998.5**
Number of ordinary shares in issue ('million)	4,254.58	(3) 5,847.08	(3) 5,847.08	(3) 5,847.08
NA per Share (RM)	(2.06)	(1.27)	(0.97)	0.34
Total borrowings (RM'million)	24,180	24,180	17,784	1,734
Gearing ratio (times)	(1)N/A	(1)N/A	N/A	0.87

Notes:

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

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

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

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

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

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

(a) *the share consideration received for the Proposed AAAGL Disposal of approximately RM3.0 billion. For the purpose of illustration in the pro forma effects above, the purchase consideration was illustrated at approximately RM3.0 billion, which is based on the issue price of each Consideration Share of RM1.32, being the 5-day VWAP of AAX Shares up to and including the LPD;*

(b) *the deconsolidation of AAAGL from our Group;*

(c) *For the purpose of illustration in the pro forma effects above, the reduction in the issued share capital pursuant to the Proposed Distribution was illustrated based on market price of AAX Shares of RM1.32 each, being the 5-day VWAP of AAX Shares up to and including the LPD;*

(d) *the decrease in accumulated losses is due to the pro forma gain arising from the remeasurement of remaining interest of our Company in AAAGL of RM3.6 billion and the transfer of AAAGL's other reserves to accumulated losses of RM428.7 million; and*

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

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

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

(b) *the deconsolidation of AAB from our Group;*

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

(d) *the decrease in accumulated losses is due to the pro forma gain arising from the Proposed AAB Disposal of RM7.7 billion and transfer of AAB's other reserves to accumulated losses of RM241.3 million, which is offset by the reclassification of merger deficit of RM5.5 billion; and*

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

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

10.3 EPS

The pro forma effects of the Proposals on the consolidated EPS of our Company assuming the Proposals had been effected at the beginning of the FYE 31 December 2023, is illustrated as follows:

	Audited for the FYE 31 December 2023	After the Proposals	
		Minimum Scenario	Maximum Scenario
	RM'million	RM'million	RM'million
PATAMI	336.8	336.8	336.8
Less: PATAMI of AAAGL Group for the FYE 31 December 2023	-	(1,137.2)	(1,137.2)
Less: PATAMI of AAB Group for the FYE 31 December 2023	-	(3,620.9)	(3,620.9)
Add: Pro forma gain arising from remeasurement of remaining interest in AAAGL for the Proposed AAAGL Disposal based on the net liabilities of AAAGL as at 1 January 2023[(1)]	-	6,976.9	6,976.9
Add: Pro forma gain arising from Proposed AAB Disposal based on the net liabilities of AAB as at 1 January 2023[(2)]	-	11,295.8	11,295.8
PATAMI	**336.8**	**13,851.4**	**13,851.4**
Weighted average no. of Shares in issue ('million)	4,187.40	4,187.40	[(3)] 5,779.90
Basic EPS (RM)	0.08	3.31	2.40

Notes:

(1) *The pro forma gain arising from remeasurement of remaining interest in AAAGL for the Proposed AAAGL Disposal based on the net liabilities of AAAGL as at 1 January 2023 (being the beginning of the FYE 31 December 2023) is as follows:*

	RM'million
Fair value of AAAGL Disposal Consideration	*3,046.15*
Add: Net liabilities of AAAGL as at 1 January 2023 [(a)]	*3,945.86*
Less: Derecognition of goodwill in AAAGL in our Company	*(7.33)*
Less: Transaction costs for the Proposed AAAGL Disposal	*(7.76)*
Pro forma gain for the Proposed AAAGL Disposal	***6,976.92***

Sub-note:

(a) The difference between the pro forma gain from remeasurement of remaining interest in AAAGL for the Proposed AAAGL Disposal of RM3,605.9 million (based on cut-off of 31 December 2023) as disclosed in Section 2.9 of Part A of this Circular and the aforementioned pro forma gain for the Proposed AAAGL Disposal of RM6,976.9 million (based on 1 January 2023, being the beginning of the FYE 31 December 2023) of approximately RM3,371.0 million was due to the PATAMI of AAAGL Group for the FYE 31 December 2023 amounting to RM1,137.2 million and the value of the Distribution Shares amounting to RM2,233.8 million.

(2) The pro forma gain arising from the Proposed AAB Disposal based on the net liabilities of AAB as at 1 January 2023 (being the beginning of the FYE 31 December 2023) is as follows:

	RM'million
AAB Disposal Consideration	*3,800.00*
Add: Net liabilities of AAB as at 1 January 2023 [(a)]	*7,503.56*
Less: Transaction costs for the Proposed AAB Disposal	*(7.76)*
Pro forma gain on disposal of AAB	***11,295.80***

Sub-note:

(a) The difference between the pro forma gain on the Proposed AAB Disposal of RM7,674.9 million (based on cut-off of 31 December 2023) as disclosed in Section 3.5 of Part A of this Circular and the aforementioned pro forma gain on the Proposed AAB Disposal of RM11,295.8 million (based on 1 January 2023, being the beginning of the FYE 31 December 2023) of RM3,620.9 million was due to the PATAMI of AAB Group for the FYE 31 December 2023 of RM3,620.9 million.

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

10.4 Convertible Securities

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

10.4.1 RCUIDS

As at the LPD, there are 890,503,338 RCUIDS which remain in issue and are convertible into new Shares at a conversion price of RM0.75. The Proposed Distribution may give rise to an adjustment to the conversion price to the RCUIDS and any such adjustments shall be made in accordance with the relevant provisions of the RCUIDS Trust Deed to ensure that the status of the RCUIDS holders is not prejudiced as a result of the Proposed Distribution.

Paragraph 2(c)(i) of the Third Schedule of the RCUIDS Trust Deed stipulates that the existing conversion price of the outstanding RCUIDS shall be adjusted if and whenever our Company makes a Capital Distribution (as defined below) to the shareholders of our Company by way of a reduction of capital (but excluding any cancellation of capital which is lost or unrepresented by available assets), by multiplying the existing conversion price by the following fraction:

$$\frac{C - D}{C}$$

where,

C = the 5-day VWAP of Capital A Share on the Market Day immediately preceding the date on which Capital A Shares are traded on an "ex-entitlement basis" (as prescribed by Bursa Securities) for the Capital Distribution; and

D = the fair market value, in consultation with RHB Investment Bank and certification of the external auditors of our Company of that portion of the Capital Distribution attributable to 1 Capital A Share.

"**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Capital A Shares or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves. Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders of our Company as shown in the audited consolidated income statements of our Company.

The adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the Entitlement Date for the Proposed Distribution.

Solely for illustrative purposes only, the illustrative adjusted RCUIDS Conversion Price pursuant to the Proposed Distribution (based on the assumptions set out below) is as follows:

$$\text{Illustrative adjusted RCUIDS Conversion Price} = \text{Existing RCUIDS Conversion Price} \times \frac{C - D}{C}$$

$$= \text{RM}0.75 \times \frac{\text{RM}0.7838 - \left(\text{RM}1.3166 \times \frac{1{,}692{,}307{,}692}{4{,}306{,}905{,}831}\right)}{\text{RM}0.7838}$$

$$\mathbf{= RM0.26}$$

based on the following assumptions,

C = RM0.7838, being the 5-day VWAP of Capital A Shares up to and including the LPD; and

D = the fair market value of the portion of the Capital Distribution pursuant to the Proposed Distribution attributable to 1 Capital A Share. The fair value of 1 Distribution Share will be determined based on the 5-day VWAP of AAX Shares immediately prior to the Entitlement Date. For illustrative purposes, the fair value of 1 Distribution Share would be based on the 5-day VWAP of AAX Shares up to and including the LPD of RM1.3166 multiplied by the total number of 1,692,307,692 Distribution Shares over the total number of 4,306,905,831 Capital A Shares in issue.

Accordingly, the illustrative RCUIDS Conversion Ratio based on the illustrative adjusted RCUIDS Conversion Price is as follows:

$$\text{Illustrative RCUIDS Conversion Ratio} = \frac{\text{Nominal value of RCUIDS}}{\text{Illustrative adjusted RCUIDS Conversion Price}}$$

$$= \frac{\text{RM0.75}}{\text{RM0.26}}$$

$$= 2.8846$$

= 288 new Capital A Shares for every 100 RCUIDS

In summary, the illustrative adjustments to the RCUIDS Conversion Price and RCUIDS Conversion Ratio pursuant to the Proposed Distribution is as follows:

	Before illustrative adjustment	**After illustrative adjustment**
RCUIDS Conversion Price	RM0.75	RM0.26
RCUIDS Conversion Ratio	100 new Capital A Share for every 100 RCUIDS	288 new Capital A Shares for every 100 RCUIDS

10.4.2 Warrants

As at the LPD, 649,670,148 Warrants remain outstanding in Capital A. The Proposed Distribution may give rise to an adjustment to the exercise price to the Warrants and any such adjustments shall be made in accordance with the relevant provisions of the Warrants Deed Poll to ensure that the status of the Warrant holders is not prejudiced as a result of the Proposed Distribution.

Paragraph 6.3(c)(1) of Schedule 3 of the Warrants Deed Poll stipulates that the existing exercise price of the outstanding Warrants shall be adjusted if and whenever our Company makes a Capital Distribution to the shareholders of our Company by way of a reduction of capital (but excluding any cancellation of capital which is lost or unrepresented by available assets) in accordance with the following formula:

$$\frac{C - D}{C} \quad \times \quad P$$

where,

P = the existing Warrant Exercise Price;

C = the 5-day VWAP of Capital A Share on the Market Day immediately preceding the date on which Capital A Shares are traded on an "ex-entitlement basis" (as prescribed by Bursa Securities) for the Capital Distribution; and

D = the fair market value, in consultation with RHB Investment Bank and certification of the external auditors of our Company of that portion of the Capital Distribution attributable to 1 Capital A Share.

The adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the Entitlement Date for the Proposed Distribution.

Solely for illustrative purposes only, the illustrative adjusted Warrant Exercise Price pursuant to the Proposed Distribution (based on the assumptions set out below) is as follows:

$$\text{Illustrative adjusted Warrant Exercise Price} = \frac{C - D}{C} \times P$$

$$= \frac{RM0.7838 - \left(RM1.3166 \times \frac{1{,}692{,}307{,}692}{4{,}306{,}905{,}831} \right)}{RM0.7838} \times RM1.00$$

= RM0.34

based on the following assumptions,

P = RM1.00, being the existing Warrant Exercise Price;

C = RM0.7838, being the 5-day VWAP of Capital A Shares up to and including the LPD; and

D = the fair market value of the portion of the Capital Distribution pursuant to the Proposed Distribution attributable to 1 Capital A Share. The fair value of 1 Distribution Share will be determined based on the 5-day VWAP of AAX Shares immediately prior to the Entitlement Date. For illustrative purposes, the fair value of 1 Distribution Share would be based on the 5-day VWAP of AAX Shares up to and including the LPD of RM1.3166 multiplied by the total number of 1,692,307,692 Distribution Shares over the total number of 4,306,905,831 Capital A Shares in issue.

In summary, the illustrative adjustment to the Warrant Exercise Price pursuant to the Proposed Distribution is as follows:

	Before illustrative adjustment	**After illustrative adjustment**
Warrant Exercise Price	RM1.00	RM0.34

10.4.3 ESOS Options

As at the LPD, there are 96,100,000 outstanding ESOS Options in our Company. There has been no Share Grant Award since the commencement of LTIS on 2 August 2021 up to and including the LPD.

The outstanding ESOS Options were granted on 3 August 2021, which may be vested from 31 August 2024 onwards, subject to the achievement of certain performance conditions as may be determined by the LTIS committee in accordance with the terms and conditions of the LTIS. For clarity, none of the outstanding ESOS Options will be exercised by the grantees prior to the Entitlement Date.

Under the LTIS By-Laws, if there is any variation in the capital structure of our Company during the LTIS period, the LTIS committee may, with the approval of our Board, appropriately adjust the number of Shares and/or the outstanding ESOS Options and/or the price at which the relevant grantees shall be entitled to subscribe for every new Share by exercising their outstanding ESOS Options, subject always to applicable laws and the Listing Requirements. In the event the LTIS committee decides to make adjustments due to the implementation of the Proposed Distribution, any such adjustments shall be made in accordance with the relevant provisions of the terms and conditions of the LTIS.

For the avoidance of doubt, there is no specific formula for adjustment set out in the LTIS By-Laws for variation in the capital structure of our Company during the LTIS period. Nevertheless, solely for illustrative purposes only, the illustrative adjustment to the ESOS Option Price as a result of the Proposed Distribution is as follows:

$$\frac{C - D}{C} \quad \times \quad \text{Existing ESOS Option Price}$$

where,

C = the 5-day VWAP of Capital A Share on the Market Day immediately preceding the date on which Capital A Shares are traded on an “ex-entitlement basis” (as prescribed by Bursa Securities) for the Capital Distribution; and

D = the fair market value of that portion of the Capital Distribution attributable to 1 Capital A Share.

The adjustment will be effective (if appropriate retroactively) from the commencement of the next Market Day following the Entitlement Date for the Proposed Distribution.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Solely for illustrative purposes only, the illustrative adjusted ESOS Option Price pursuant to the Proposed Distribution (based on the assumptions set out below) is as follows:

$$\text{Illustrative adjusted ESOS Option Price} = \frac{C - D}{C} \times \text{Existing ESOS Option Price}$$

$$= \frac{RM0.7838 - \left(RM1.3166 \times \frac{1,692,307,692}{4,306,905,831}\right)}{RM0.7838} \times RM0.7425$$

$$= \mathbf{RM0.2524}$$

based on the following assumptions,

C = RM0.7838, being the 5-day VWAP of Capital A Shares up to and including the LPD; and

D = the fair market value of the portion of the Capital Distribution pursuant to the Proposed Distribution attributable to 1 Capital A Share. The fair value of 1 Distribution Share will be determined based on the 5-day VWAP of AAX Shares immediately prior to the Entitlement Date. For illustrative purposes, the fair value of 1 Distribution Share would be based on the 5-day VWAP of AAX Shares up to and including the LPD of RM1.3166 multiplied by the total number of 1,692,307,692 Distribution Shares over the total number of 4,306,905,831 Capital A Shares in issue.

In summary, the illustrative adjustment to the ESOS Option Price pursuant to the Proposed Distribution is as follows:

	Before illustrative adjustment	**After illustrative adjustment**
ESOS Option Price	RM0.7425	RM0.2524

Notwithstanding the above, the LTIS committee shall seek our Board's approval prior to deciding on any adjustment to the ESOS Option Price due to the implementation of the Proposed Distribution.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

11. APPROVALS REQUIRED

The Proposals are subject to the following approvals and consents of the following persons being obtained:

(a) at least 75% of the total number of issued shares held by the non-interested shareholders of our Company present and voting either in person or by proxy at the forthcoming EGM;

(b) at least 75% of the non-interested holders of the RCUIDS at a RCUIDS holders meeting to be convened for the Proposals;

(c) the sealed order of the High Court of Malaya pursuant to Section 116 of the Act for the reduction in issued share capital pursuant to the Proposed Distribution;

(d) government entity, lenders/financiers or any third party, as may be necessary, being obtained by our (where applicable) Company, our Company's subsidiaries or the relevant entity within the AAAGL Group or AAB Group for the Proposed Pre-Completion Restructuring and/or the Proposals as set out below:

(i) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed Disposals; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed Disposals are carried into effect;

Note:

Section 54(1) of the MAVCOM Act states the following:

Mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.

Section 36T(1) of the CAAM Act (based on the CAAM (Amendment) Bill 2024) states the following:

Mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.

(ii) MAVCOM with regards to the proposed change in shareholding of AAB;

(iii) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(iv) financiers / lenders in respect of the RCUIDS as well as loan facilities granted to our Group;

(v) third parties in respect of certain aircraft lease as well as operational agreements entered into by our Group;

(vi) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX; and

(vii) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAAGL Target Entities and AAB Target Entities) in favour of lenders/financiers of the AAAGL Target Entities and AAB Target Entities shall be obtained before the AAAGL Completion Date and AAB Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;

(e) the non-interested shareholders of AAX at an EGM for the acquisition of AAAGL Equity Interest and AAB Equity Interest pursuant to the Proposed Disposals as well as for the AAX Proposed Private Placement whereby, as a condition precedent to the SSPAs, AAX shall raise RM1,000.0 million within the FYE 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to the AAX Proposed Private Placement;

(f) government entity, lenders/financiers or any third party, as may be necessary, being obtained by AAX or its subsidiaries for the Proposals as set out below:

(i) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed Disposals; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed Disposals are carried into effect;

(ii) Takeover Panel of Securities and Exchange Commission, Thailand in respect of the proposed exemption under the applicable takeover rules in Thailand to be sought by AAX from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by AAX on completion of the Proposed AAAGL Disposal;

(iii) Bursa Securities for the listing and quotation of 2,307,692,307 Consideration Shares and up to 1,000,000,000 new AAX Shares to be issued pursuant to AAX Proposed Private Placement on the Main Market of Bursa Securities;

The approval from Bursa Securities was obtained vide its letter dated 11 September 2024, subject to the following conditions:

No.	**Conditions imposed**	**Status of compliance**
(a)	AAX and Interpac, being the principal adviser for AAX for the AAX Proposals, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options;	To be complied
(b)	AAX or Interpac is required to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders in general meeting approving AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options;	To be complied

No.	Conditions imposed	Status of compliance
(c)	AAX and Interpac are required to inform Bursa Securities upon completion of AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options;	To be complied
(d)	AAX is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options are completed;	To be complied
(e)	AAX and Interpac are required to provide a written confirmation that the terms of the AAX Warrants are in compliance with Paragraph 6.54(3) of the Listing Requirements;	To be complied
(f)	Interpac is required to furnish Bursa Securities with details of the placees in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of the new shares to be issued pursuant to the AAX Proposed Private Placement;	To be complied
(g)	AAX must comply with the public security holding spread requirements pursuant to Paragraph 8.02(1) of the Listing Requirements at all times upon listing and quotation of the AAX Placement Shares, Consideration Shares and the new AAX Shares pursuant to the AAX Subscription Options respectively; and	To be complied
(h)	AAX is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the AAX Warrants and AAX Subscription Options respectively as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

(iv) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;

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

The Proposed AAAGL Disposal and Proposed Distribution are inter-conditional upon each other. Save for the above, there are no other conditionality in respect of the Proposals.

For the avoidance of doubt, the Proposed AAAGL Disposal and Proposed AAB Disposal are not inter-conditional upon each other. Despite the non-interconditionality of the proposals, it is in the best interests of our Company to complete both the Proposed AAAGL Disposal and Proposed AAB Disposal and reap the benefits as disclosed in Section 6 of Part A of this Circular. Hence, the Proposed Disposals are still in line with the rationale of the Proposals.

However, in the event that the Proposed AAAGL Disposal is completed and the Proposed AAB Disposal is not completed for reasons beyond our control, we would not be able to recognise the gain on disposal in AAB Equity Interest as illustrated in Section 3.5 of Part A of this Circular. Likewise, in the event that the Proposed AAB Disposal is completed and the Proposed AAAGL Disposal is not completed for reasons beyond our control, we would not be able to recognise the gain on remeasurement of remaining interest in AAAGL as illustrated in Section 2.9 of Part A of this Circular and the Proposed Distribution would not materialise. In such situations, the improvement to the NA of our Group would be lesser to the extent of the pro forma gain on remeasurement of remaining interest arising from the Proposed AAAGL Disposal or the pro forma gain on disposal arising from the Proposed AAB Disposal as mentioned above and that would lead to us being further from regularising our financial condition.

Nevertheless, our Company will use our best efforts to complete the Proposed Disposals, including but not limited to rectifying any matters and/or re-negotiate the terms and conditions of the Proposed Disposals that may lead to such non-completion of any of the Proposed Disposals.

The Proposals are not conditional upon any other proposal undertaken or being undertaken by our Company.

12. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors and major shareholders of our Company, and/or persons connected with them have any interests, direct and/or indirect, in the Proposals:

(a) Tan Sri Anthony Francis Fernandes, the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB;

(b) Datuk Kamarudin bin Meranun, the Non-Independent Executive Chairman and a major shareholder of our Company, is deemed interested in the Proposals by virtue of him being a Non-Independent Executive Director and major shareholder of AAX via his direct and indirect shareholding in AAX via TGSB and AAB;

(c) Dato' Fam Lee Ee, the Senior Independent Non-Executive Director of our Company, is deemed interested in the Proposals by virtue of him being the Non-Independent Non-Executive Chairman of AAX;

(d) TLSB, a major shareholder of our Company, is deemed interested in the Proposals as TLSB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TLSB; and

(e) TASB, a major shareholder of our Company, is deemed interested in the Proposals as TASB is a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun where they are major shareholders of TASB.

The Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings.

The Interested Directors and the Interested Major Shareholders will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in our Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of our Company to be convened.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

The Interested Directors and the Interested Major Shareholders will ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in our Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of our Company to be convened.

The direct and indirect shareholdings of the Interested Directors and Interested Major Shareholders in our Company as at the LPD are as follows:

	Direct		**Indirect**	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Sri Anthony Francis Fernandes	2,000,000	0.05	1,025,485,082[(a)]	23.81
Datuk Kamarudin bin Meranun	2,000,000	0.05	1,025,485,082[(a)]	23.81
Dato' Fam Lee Ee	-	-	-	-
TLSB	509,000,000	11.82	-	-
TASB	516,485,082	11.99	-	-

Note:

(a) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in TLSB and TASB.

13. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSALS AND VERY SUBSTANTIAL TRANSACTION

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 105.34%. As such, the Proposals is deemed as a Very Substantial Transaction.

For the avoidance of doubt, the Proposals will not result in a significant change in business direction or policy of our Company pursuant to the Equity Guidelines issued by the Securities Commission Malaysia.

14. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

The Proposed Disposals are deemed as related-party transactions pursuant to Paragraph 10.08 of the Listing Requirements.

Save for the Proposed Disposals and related-party transactions as highlighted below, there were no other related-party transactions (excluding recurrent related-party transactions entered into in the ordinary course of business) entered into between our Company and the Interested Major Shareholders and/or persons connected with them for the 12 months preceding the date of this Circular.

(i) On 2 November 2023, AAB had entered into a Passenger Charter and Ancillary Agreement with AAX where AAX will perform passenger charter and ancillary services in relation to the charter of the Malaysian Battalion (MALBATT) 850 forces to Beirut, Lebanon (vice versa) for the United Nations Interim Force in Lebanon's (UNIFIL) peacekeeping mission commencing from 1 October 2023 to 30 September 2026 for a contract sum of RM29,703,600; and

(ii) On 5 December 2023, Asia Aviation Capital Limited, a wholly-owned subsidiary of AAB had entered into an aircraft lease agreement with AAX, for the lease of an aircraft bearing manufacturer's serial number 1596 for a period of 1 year from delivery date of the aircraft for an estimated total contract value of RM30,542,306.73, inclusive of lease rental and maintenance reserves.

15. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company, having considered all aspects of the Proposals and the preliminary evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are:

(a) in the best interest of our Company;

(b) fair, reasonable and on normal commercial terms; and

(c) not detrimental to the interest of the minority shareholders of our Company.

In forming its view above, the Audit Committee of our Company has taken into consideration, amongst others, the following:

(i) the rationale of the Proposals;

(ii) the salient terms of the SSPAs;

(iii) the basis of and justification for arriving at the AAAGL Disposal Consideration and AAB Disposal Consideration; and

(iv) the effects of the Proposals.

16. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors) after having considered all aspects of the Proposals, including the salient terms of the AAAGL SSPA and AAB SSPA, rationale and benefits of the Proposals, as well as the evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are fair and reasonable and in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

17. INDEPENDENT ADVISER

The Proposals are deemed as related-party transactions pursuant to Paragraph 10.08 of the Listing Requirements. In addition, the Proposed Disposals are also regarded as Major Disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements. Our Company had on 27 March 2024 appointed PIVB to act as the Independent Adviser to undertake the following in relation to the Proposals:

(a) comment as to:

  (i) whether the Proposals are fair and reasonable in so far as the non-interested shareholders of our Company are concerned; and

  (ii) whether the Proposals are to the detriment of the non-interested shareholders of our Company,

  and such opinions must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(b) advise the non-interested shareholders of our Company whether they should vote in favour of the Proposals; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (a) and (b) above.

18. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save as disclosed below, there is no other corporate exercise which has been announced but has yet to be completed:

(a) the Proposals; and

(b) our Company had on 28 February 2024 announced that our Company proposes to undertake the following corporate proposals:

  (i) our Company had entered into a conditional business combination agreement with CAPI, Aether Merger Sub Inc. ("**Merger Subsidiary**"), a wholly-owned subsidiary of CAPI incorporated as a Delaware corporation, Brand AA and Aetherium Acquisition Corp ("**GMFI**") for a business combination transaction involving:

    (a) the transfer by our Company of our Company's equity interest in Brand AA to CAPI; and

    (b) the merger between Merger Subsidiary and GMFI,

  (collectively, the "**Proposed Business Combination**")

  for a transaction consideration of USD1.15 billion (equivalent to approximately RM5.44 billion). Upon consummation of the Proposed Business Combination, CAPI is expected to become a publicly listed company on NASDAQ or the New York Stock Exchange.

  (ii) a proposed distribution of up to 51.0% of the total consideration shares to be received pursuant to the Proposed Business Combination to the entitled shareholders of our Company based on their respective shareholdings on an entitlement date to be announced and determined later by way of distribution-in-specie via a proposed reduction and repayment of our share capital pursuant to Section 116 of the Act ("**Proposed SPAC Distribution**").

19. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the 4th quarter of 2024.

The tentative timetable for the implementation of the Proposals is set out below:

Date/Month	Events
14 October 2024	• Convening of the EGM to obtain the approval from the non-interested shareholders of our Company for the Proposals • Convening of the RCUIDS holders meeting to obtain the approval from the non-interested holders of the RCUIDS for the Proposals
October 2024	• Filing of application to seek the confirmation from the High Court of Malaya for the reduction of our Company's issued share capital under Section 116 of the Act pursuant to the Proposed Distribution
November 2024	• Confirmation from the High Court of Malaya for the reduction of our Company's issued share capital under Section 116 of the Act pursuant to the Proposed Distribution
December 2024	• Fulfilment of all the conditions precedent of the AAAGL SSPA and/or AAB SSPA • Announcement of the Entitlement Date for the Proposed Distribution • Entitlement Date for the Proposed Distribution
January 2025	• Completion of the Proposals

20. EGM

The forthcoming EGM will be conducted on a virtual basis through live streaming and online remote voting from the broadcast venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Service Sdn Bhd via its TIIH Online website at https://tiih.online on Monday, 14 October 2024 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

The Notice of the EGM together with the Proxy Form are enclosed in this Circular and can be downloaded from our Company's website at www.capitala.com or Bursa Securities' website at https://www.bursamalaysia.com.

21. ADDITIONAL INFORMATION

You are advised to refer to Part B of this Circular and the attached appendices for additional information.

Yours faithfully,
For and on behalf of our Board
CAPITAL A BERHAD

DATO' MOHAMED KHADAR BIN MERICAN
Independent Non-Executive Director

PART B

IAL FROM PIVB TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE "*DEFINITIONS*" SECTION AND CONTEXT OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSALS. NON-INTERESTED SHAREHOLDERS ARE ADVISED TO CAREFULLY READ THE CONTENTS OF THE IAL FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM PIVB, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSALS. THE IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM.

1. INTRODUCTION

On 8 January 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into a non-binding letter of offer with AAX for the proposed disposal by the Company of the following:

(i) its entire equity interest in AAAGL, a wholly-owned subsidiary of the Company; and

(ii) its equity interest in AAB, a wholly-owned subsidiary of the Company.

On 25 April 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company:

(a) on even date, entered into conditional share sale and purchase agreements with AAG for the proposed disposal by the Company of its entire equity interest in AAAGL and AAB, respectively; and

(b) proposes to undertake a distribution of consideration shares to be received for the proposed disposal of the Company's entire equity interest in AAAGL mentioned in item (a) above to the Entitled Shareholders by way of a reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act.

On 26 July 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into the AAAGL Supplemental SSPA and AAB Supplemental SSPA to amend and vary certain terms and conditions of the SSPAs. Pursuant to the AAAGL Supplemental SSPA and AAB Supplemental SSPA, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Disposal and Proposed AAB Disposal respectively, with effect from 26 July 2024.

On 4 September 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA, the Company shall, before the AAAGL Completion Date and AAB Completion Date, obtain the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by the Group (excluding AAAGL Group and AAB Group) in favour of lenders/financiers of the AAAGL Group and AAB Group.

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 12, Part A of the Circular, the Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements.

In addition, the Proposed Disposals are also regarded as major disposals pursuant to Paragraph 10.02(eA) of the Listing Requirements as the Proposed Disposals entail the disposal by the Company of its major business which may result in it not having a level of operations that is adequate to warrant continued trading or listing on the Official List of Bursa Securities.

Accordingly, the Board (save for the Interested Directors) had on 27 March 2024, appointed PIVB as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company.

2. EVALUATION OF THE PROPOSALS

We have assessed and evaluated the Proposals to arrive at our conclusion and recommendation after taking into consideration the various factors as summarised below:

Area of evaluation	PIVB's comments
Rationale and benefits of the Proposals	<u>**Rationale and benefits of the Proposed Disposals**</u> • We note that the Proposed Disposals would allow the Group to concentrate its resources and skills towards more specialised areas which are supplemental to the aviation business. Such streamlining is expected to result in higher efficiencies and reduced redundancies as the aviation business is consolidated under AAX. Notwithstanding the above, we noted that the Entitled Shareholders of the Company are expected to continue to hold shares in the aviation business via AAX which is listed on the Main Market of Bursa Securities. Hence, upon the completion of the Proposed Disposals, the Entitled Shareholders will still be able to participate in the aviation business and benefit from its potential prospects. • The Proposed Disposals are also expected to result in greater clarity of investment between the Company and AAX thus allowing the capital market and potential investors to better ascertain the potential as well as the prospects of each entity and facilitate business-centric valuation of the separate entities. The Entitled Shareholders will also benefit from the diversification of their investment portfolios based on their respective shareholdings in the Company and AAX upon completion of the Proposals. This is expected to provide an avenue for the shareholders as well as potential investors to achieve their investment objectives. • The Group is expected to realise a pro forma gain from the Proposed AAB Disposal which will contribute positively to the Group's earnings. Further, we also noted that the Proposed Disposals of the indebted aviation business would allow the Group to improve its gearing position by reducing its total borrowing significantly from RM24,180.0 million to RM1,734.0 million. Upon completion of the Proposed Disposals, the NA per Share of the Group is expected to improve from NL per Share of RM2.06 to NA per Share of RM0.15, under the Minimum Scenario and NA per Share of RM0.34, under the Maximum Scenario. • The Entitled Shareholders of the Company will receive AAX Shares which is listed on the Main Market of Bursa Securities upon the completion of the Proposals. This would allow the Entitled Shareholders to maintain their investment in the aviation industry via their respective shareholdings in AAX.

<table>
<tr><th>Area of evaluation</th><th>PIVB's comments</th></tr>
<tr><td>Rationale and benefits of the Proposals
(cont'd)</td><td><u>Rationale and benefits of the Proposed Distribution</u>

• We note that the Proposed Distribution to be undertaken by the Company in conjunction with the Proposed AAAGL Disposal is to reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX while allowing clarity of investment in two distinct entities with different business activities. Additionally, this opportunity would allow Capital A investors to determine their level of exposure to two distinct entities with different business activities and potentially benefit directly from their future performance of the Company and AAX, which is expected to be a more streamlined entity consolidating the long-haul and short-haul routes under the AirAsia brand name.

• We noted that the Entitled Shareholders are not required to pay for their entitlement to the Distribution Shares. For illustration purposes, based on the Issue Price and the formula to determine the number of Distribution Shares received, we noted that for every 1,000 Shares held by the Entitled Shareholders, they are expected to receive 392 new AAX Shares. On a side note, we noted that the theoretical ex-price of Shares will be adjusted downward upon the completion of the Proposed Distribution. Nonetheless, shareholders should note that the downward adjusted value would correspond to the proportionate value of AAX Shares to be received by the Entitled Shareholders pursuant to the Proposed Distribution.

Premised on the above, we are of the opinion that the rationale and benefits of the Proposals are <u>fair</u> and <u>reasonable</u> and <u>not detrimental</u> to the interests of the non-interested shareholders.

Please refer to Section 9 of this IAL for further details.</td></tr>
<tr><td>Evaluation of the Proposals</td><td><u>Basis and justification of the AAAGL Disposal Consideration</u>

• The AAAGL Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the rationale and benefits of the Proposals as well as the independent valuation on AAAGL conducted by DCAS.

• We are of the opinion that the adjusted NAV adopted by DCAS in deriving its valuation of AAAGL is appropriate as it would reflect the fair value of the AOCs which are the main income generating companies with active operations of the AAAGL Group. Further, we are also of the opinion that the DCF method is appropriate in deriving the AOCs' fair value as the underlying value of the AOCs are likely to be derived from its future business operations.

• As part of our evaluation of the DCF method, we have also computed the WACC for the AOCs and derived a valuation range of RM2,964.0 million to RM3,207.0 million for AAAGL, which is generally consistent with DCAS's valuation range of RM2,880.0 million to RM3,691.0 million for AAAGL.</td></tr>
</table>

<table>
<tr><th>Area of evaluation</th><th>PIVB's comments</th></tr>
<tr><td>Evaluation of the Proposals
(cont'd)</td><td>

• We are of the opinion that the AAAGL Disposal Consideration of RM3,000.0 million is fair as it is within the AAAGL's valuation range derived by PIVB and ascribed by DCAS.

<u>Basis and justification of the AAB Disposal Consideration</u>
• The AAB Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the rationale and benefits of the Proposals as well as the independent valuation on AAB conducted by DCAS.

• We are of the opinion that the DCF method (a commonly used method which takes into consideration, amongst others, the time value of money as well as future cash flow to be derived from the business over a specific period of time) adopted by DCAS in deriving the valuation range of AAB is appropriate as the underlying value of AAB is likely to be derived from its future business operations.

• As part of our evaluation of the DCF method, we have also computed the WACC for AAB and derived a valuation range of RM3,762.0 million to RM4,215.0 million for AAB, which is generally consistent with DCAS's valuation range of RM3,721.0 million to RM4,602.0 million for AAB.

• We are of the view that the AAB Disposal Consideration of RM3,800.0 million is fair as it is within the AAB's valuation range derived by PIVB and ascribed by DCAS.

• We noted that the AAB Disposal Consideration will be satisfied by way of AAX's assumption of Capital A's debt due to AAB of RM3,800.0 million on the AAB Completion Date pursuant to the terms of the AAB SSPA. We are of the view that the method of settlement for the AAB Disposal Consideration is reasonable.

<u>Basis and justification for the Issue Price of the Consideration Shares</u>
• We noted that the Issue Price represents:

(i) a discount ranging from RM0.05 to RM0.68 (3.70% to 34.34%) to the last transacted price of AAX Shares as at the Announcement LPD and the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the Announcement LPD;

(ii) a premium of RM0.02 to RM0.09 (1.56% to 7.44%) to the last transacted price of AAX Shares as at the LTD and the five (5)-day and one (1)-month VWAP up to the LTD and a discount ranging from RM0.17 to RM0.68 (11.56% to 34.34%) over the three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LTD; and

(iii) a discount of RM0.01 (0.76%) to the last transacted price of AAX Shares as at the LPD and a discount of RM0.02 (1.52%) over the five (5)-day VWAP up to the LPD.

• We are of the view that the Issue Price of the Consideration Shares, part of which will be allotted and issued directly to shareholders of Capital A pursuant to the Proposed Distribution, is fair and not detrimental to the non-interested shareholders of Capital A.

Please refer to Section 10 of this IAL for further details.
</td></tr>
</table>

<table>
<tr><th>Area of evaluation</th><th>PIVB's comments</th></tr>
<tr><td>Evaluation of the salient terms of the SSPAs</td><td>We are of the opinion that the terms contained in the SSPAs are <u>reasonable</u> as far as the interests of Capital A are concerned and that the salient terms are <u>fair</u> and <u>reasonable</u> and are <u>not detrimental</u> to the interests of the non-interested shareholders of Capital A.

Please refer to Section 11 of this IAL for further details.</td></tr>
<tr><td>Effects of the Proposals</td><td>• The Proposals will not involve any issuance of new Capital A Shares and therefore will not have any effect on the substantial shareholders' shareholdings of the Company.

• The Group's NA per Share will increase from NL per Share of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and RM0.34 under the Maximum Scenario.

• The completion of the Proposals would result in a gearing ratio of 2.67 times and 0.87 times under the Minimum Scenario and Maximum Scenario, respectively.

• The pro forma basic EPS will increase from RM0.08 to RM3.31 under the Minimum Scenario and EPS of RM2.40 under the Maximum Scenario.

• We noted that, save for the following, the Company does not have any other convertible securities in issue as at the LPD:

(a) there are 890,503,338 RCUIDS which are convertible into new ordinary shares of the Company at a conversion price of RM0.75. The Proposed Distribution may result in an adjustment to the conversion price and we noted that such adjustments will be made in accordance with the relevant provisions of the RCUIDS Trust Deed to ensure the interest of RCUIDS holders will not be prejudiced as a result of the Proposed Distribution. Based on the total number of Distribution Shares of 1,692,307,692 and fair value of RM1.32 per Distribution Share, we noted that the RCUIDS Conversion Price will be adjusted from RM0.75 to RM0.26 and the Conversion Ratio from 100 new Capital A Share to 288 new Capital A Share for every 100 RCUIDS;

(b) there are 649,670,148 Warrants of the Company remain outstanding as at the LPD. The Proposed Distribution may result in an adjustment to the exercise price and we noted that such adjustments will be made in accordance with the Warrants Deed Poll to ensure the interest of the Warrants holders will not be prejudiced as a result of the Proposed Distribution. Based on the total number of Distribution Shares of 1,692,307,692 and fair value of RM1.32 per Distribution Share, we noted that the Warrant Exercise Price will be adjusted from RM1.00 being the existing Warrant Exercise Price to RM0.34; and

(c) there are 96,100,000 outstanding ESOS Options as at the LPD and there has been no Share Grant Award since the commencement of LTIS on 2 August 2021 up to and including the LPD. In the event the LTIS committee decides to make adjustments due to the implementation of the Proposed Distribution, any such adjustments shall be made in accordance with the relevant provisions of the terms and conditions of the LTIS. Based on the fair value of RM1.32 per Distribution Share, we noted that ESOS Option Price will be adjusted from the existing ESOS Option Price of RM0.7425 to RM0.2524.

Premised on the above, we are of the opinion that the pro forma effects of the Proposals are <u>not detrimental</u> to the interests of the non-interested shareholders of Capital A.

Please refer to Section 12 of this IAL for further details.</td></tr>
</table>

Area of evaluation	PIVB's comments
Risk factors of the Proposals	• We have taken note of the risk factors in relation to the Proposals as set out in Section 9, Part A of the Circular. • We are of the view that the risk factors are common for transaction of such nature, especially when the consideration is satisfied via listed company's shares. Further, given the positive outlook in the aviation industry as set out in Section 14 of this IAL, we believe that the potential negative impact, if any, arising from the risks could be minimised. Notwithstanding the loss of contribution from AAAGL and AAB, the Company is expected to record a gain on remeasurement of the remaining interest in AAAGL and gain on disposal of AAB upon completion of the Proposed Disposals, thus improving the financial position of the Group. In addition, given the positive outlook of the aviation industry, this would bode well for the Group moving forward which will focus on the aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business. • We note that although measures will be taken by the Group to contain or mitigate the risks highlighted arising from the Proposals, no assurance can be given that the risks will not crystallise and give rise to material and adverse impact on the financial position and business of the Group as well as the investment in AAX held by Capital A and the Entitled Shareholders pursuant to the Proposed Distribution. Please refer to Section 13 of this IAL for further details.
Industry outlook and prospects	• The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. • Over the next 20 years, the world passengers are expected to increase by 3.8% per year on average, resulting in over 4 billion additional passenger journeys in 2043 compared to 2023. European and North American markets will see a slower rise in demand of 2.3% and 2.7% per year respectively. Asia Pacific is anticipated to record the fastest rise in passenger numbers and to contribute to more than half of the net increase in global passenger numbers by 2043. • Upon completion of the Proposed Disposals, the AAX Group will house all the airline entities operating under the "AirAsia" brand to form the New Aviation Group. We note that such New Aviation Group will encompass short, medium and long-haul, low cost air transportation services. We also note that the AAX Group will continue to adopt a low-fare business model and will be led by seasoned key senior management. We also note that the AAX Group is anticipated to gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand and secure continuous support services from the AirAsia Ecosystem.

Area of evaluation	PIVB's comments
Industry outlook and prospects *(Cont'd)*	• The Management has implemented various future plans for the Retained Segments and in view of the outlook of the aviation industry in Malaysia, it augurs well for the Group and AAX to leverage on the anticipated increase in the number of air passengers in the world, via its respective distinct businesses. In view of the positive outlook of the Malaysian economy as well as the aviation industry in Southeast Asia, prospects of AAX, future plans and prospects of the Group, we are of the view that the prospects of the Group is expected to be favourable upon completion of the Proposed Disposals. Please refer to Section 14 of this IAL for further details.
Alternative bids	As at the LPD, the Board has not received any alternative bids for the disposal of AAAGL and AAB. Please refer to Section 15 of this IAL for further details.
Listing status of Capital A	• The Proposed Disposals are deemed as Major Disposal and the Company will be classified as an "Affected Listed Corporation" pursuant to Paragraph 8.03A(2) of the Listing Requirements post the completion of the Proposed Disposals. The Company is also classified as a PN17 Issuer. • The Company is required to, amongst others, regularise its condition within 12 months in accordance to PN17 as well as Paragraph 8.03 of the Listing Requirements, failing which, Bursa Securities may suspend the trading of its shares or delist the listed corporation. Nevertheless, we noted that the Retained Segments had recorded a revenue of RM2,211.91 million and a PAT of RM91.40 million for FYE 31 December 2023. Please refer to Section 16 of this IAL for further details.
Adequacy of financial resources of AAX	We noted that the Board is satisfied that AAX has sufficient financial resources to undertake the acquisition after taking into consideration the audited consolidated financial statements of AAX and the fact that no cash is being involved in the Proposed Disposals. Please refer to Section 17 of this IAL for further details.

3. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposals, we are of the opinion that the Proposals are ***fair*** and ***reasonable*** and ***not detrimental*** to the interests of the non-interested shareholders of Capital A.

Accordingly, we recommend that the non-interested shareholders of Capital A to ***vote in favour*** of the special resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

PUBLIC INVESTMENT BANK
大众投资银行

Registered Office:

27th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur

20 September 2024

To: The non-interested shareholders of Capital A Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF CAPITAL A BERHAD IN RELATION TO THE PROPOSALS

---

1. PREAMBLE

This IAL is prepared for inclusion in the Circular in relation to the Proposals and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "*Definitions*" section, Part A of the Circular, except where the context otherwise requires or where otherwise defined herein. All references to "we", "us" and "our" in this IAL are to PIVB, being the Independent Adviser for the Proposals.

2. INTRODUCTION

On 8 January 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into a non-binding letter of offer with AAX for the proposed disposal by the Company of the following:

(i) its entire equity interest in AAAGL, a wholly-owned subsidiary of the Company; and

(ii) its equity interest in AAB, a wholly-owned subsidiary of the Company.

On 25 April 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company:

(a) on even date, entered into conditional share sale and purchase agreements with AAG for the proposed disposal by the Company of its entire equity interest in AAAGL and AAB, respectively; and

(b) proposes to undertake a distribution of consideration shares to be received for the proposed disposal of the Company's entire equity interest in AAAGL mentioned in item (a) above to the Entitled Shareholders by way of a reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act.

On 26 July 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company entered into the AAAGL Supplemental SSPA and AAB Supplemental SSPA to amend and vary certain terms and conditions of the SSPAs. Pursuant to the AAAGL Supplemental SSPA and AAB Supplemental SSPA, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Disposal and Proposed AAB Disposal respectively, with effect from 26 July 2024.

On 4 September 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company had entered into the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA to amend, vary and supplement certain terms and conditions of the AAAGL SSPA and AAB SSPA. Pursuant to the AAAGL Second Supplemental SSPA and AAB Second Supplemental SSPA, the Company shall, before the AAAGL Completion Date and AAB Completion Date, obtain the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by the Group (excluding AAAGL Group and AAB Group) in favour of lenders/financiers of the AAAGL Group and AAB Group.

PUBLIC INVESTMENT BANK BERHAD (20027-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Level 27, Menara Public Bank 2, No. 78, Jalan Raja Chulan, 50200 Kuala Lumpur
Peti Surat 12154, 50768 Kuala Lumpur. Telephone: 03-20362800, 22683000 Facsimile: 03-20362860
(Wholly-owned subsidiary of Public Bank Berhad)

In view of the interests of the Interested Directors and Interested Major Shareholder as set out in Section 12, Part A of the Circular, the Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements.

In addition, the Proposed Disposals are also regarded as major disposals pursuant to Paragraph 10.02(eA) of the Listing Requirements as the Proposed Disposals entail the disposal by the Company of its major business which may result in it not having a level of operations that is adequate to warrant continued trading or listing on the Official List of Bursa Securities.

Accordingly, the Board (save for the Interested Directors) had on 27 March 2024, appointed PIVB as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company.

The purpose of this IAL is to provide the non-interested shareholders of Capital A with an independent evaluation on the Proposals together with our recommendation on whether the non-interested shareholders should vote in favour or against the resolutions in relation to the Proposals at the forthcoming EGM, subject to the scope and limitations of our role and evaluation specified herein. The non-interested shareholders should nonetheless rely on their own evaluation of the merits of the Proposals before making a decision on the course of action to be taken.

THE NON-INTERESTED SHAREHOLDERS OF CAPITAL A ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

3. DETAILS OF THE PROPOSALS

3.1 Details of the Proposed AAAGL Disposal

The Proposed AAAGL Disposal entails the disposal by the Company of the AAAGL Equity Interest to AAX for the AAAGL Disposal Consideration which will be satisfied via the allotment and issuance of 2,307,692,307 new AAX Shares at the issue price of RM1.30 per Consideration Share, subject to the terms of the AAAGL SSPA.

Further details on the Proposed AAAGL Disposal are set out in Section 2, Part A of the Circular.

3.2 Details of the Proposed AAB Disposal

The Proposed AAB Disposal entails the disposal by the Company of the AAB Equity Interest to AAX for the AAB Disposal Consideration which will be satisfied by way of the Debt Settlement.

Prior to the completion of the Proposed Disposals, the Group will undertake the Proposed Pre-Completion Restructuring as follows:

(i) the sale and transfer by AAB to the Company of 57,072,850 AAX Shares owned by AAB which represents 12.77% of the issued shares of AAX for RM106.7 million or RM1.87 per AAX Share which is the last closing price of AAX Shares as at 31 December 2023, being the valuation date adopted by DCAS for the valuation of the AAB Target Entities. The AAX Stake Transfer is intended to be undertaken by the Company to avoid AAX as the purchaser of the AAB Equity Interest to hold its own shares;

(ii) the Company shall assume AAAGL's debt to AAB of RM2,820.6 million pursuant to the AAAGL Debt Novation to streamline and organise the AAAGL and AAB intercompany debt between them for clarity of valuation of AAAGL and AAB individually; and

(iii) subject to the receipt of the written consent from the relevant lenders/financiers of AAB, AAB shall declare a dividend of RM3,468.6 million to the Company, which is proposed to set off the aforesaid AAAGL Debt Novation and existing amount owing by AAAGL to be capitalised by the Company of RM648.0 million to settle the amount owing by the Company to AAB. For the avoidance of doubt, in the event the written consent from the relevant lenders/financiers of AAB for the proposed declaration of dividend by AAB is not obtained, the Proposed AAB Disposal will not be completed.

Further details on the Proposed AAB Disposal are set out in Section 3, Part A of the Circular.

3.3 Details of the Proposed Distribution

The Proposed Distribution entails the distribution of approximately RM2,200.00 million in value of the Consideration Shares to the Entitled Shareholders based on their respective shareholdings on the Entitlement Date by way of reduction and repayment of the Company's issued share capital pursuant to Section 116 of the Act. The number of Distribution Shares shall be fixed at 1,692,307,692 Consideration Shares, based on the Issue Price of RM1.30 per Consideration Share.

Further details on the Proposed Distribution are set out in Section 5, Part A of the Circular.

4. SOURCE OF INFORMATION

In preparing this IAL, PIVB has relied upon the following sources of information and documents:

(i) the information contained in Part A of the Circular and the appendices attached therein;

(ii) the AAAGL SSPA and AAB SSPA, the AAAGL Supplemental SSPA and AAB Supplemental SSPA as well as the AAAGL Second Supplemental SSPA and AAB Second Supplemental SPA;

(iii) the Valuation Letter and DCAS' letter dated 10 September 2024;

(iv) other relevant information, documents, financial information, confirmations and/or representation furnished to us by the Board, management, and/or representatives of Capital A ("**Management**"); and

(v) other publicly available information.

5. LIMITATIONS TO THE EVALUATION OF THE PROPOSALS

We were not involved in any formulation or any deliberation and negotiation on the terms and conditions of the Proposals. The terms of reference of our appointment as the Independent Adviser to the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals are in accordance with the requirements set out in Paragraphs 10.08(2) and (3) and 10.11A(1)(b) and (3) of the Listing Requirements.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposals insofar as the non-interested shareholders are concerned based on the information and documents available to us as mentioned in Section 4 of this IAL.

We have made all reasonable enquiries to the Board and Management and have relied upon the information and documents as mentioned above. The Board has confirmed to us that all relevant material facts and information essential to the evaluation of the Proposals have been disclosed to us and has collectively and individually accepted full responsibility for the accuracy, validity and completeness of the information provided to us. After making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied that all relevant facts, information and representations that are necessary for our evaluation of the Proposals have been disclosed to us and that such information is sufficient, accurate, valid, reasonable, complete and there is no omission of any material facts, which would make any information provided to us incomplete, misleading or inaccurate.

In rendering our advice, we had taken note of pertinent factors, which we believe are necessary and of importance to our assessment of the Proposals and therefore of general concern to the non-interested shareholders of Capital A. As such:

(i) the scope of PIVB's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness and other implications of the Proposals only. Comments or points of consideration which may be commercially oriented are included for our overall evaluation as we deem it necessary for disclosure purposes to enable the non-interested shareholders of Capital A to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposals;

(ii) PIVB's views and recommendation as contained in the IAL only cater to the non-interested shareholders of Capital A at large and not to any non-interested shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and

(iii) we recommend that any individual non-interested shareholder or group of non-interested shareholders who is in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the LPD.

After the despatch of this IAL, PIVB will immediately notify the non-interested shareholders if, we become aware of the following:

(i) significant change affecting the information contained in this IAL;

(ii) there is reasonable ground to believe that the statements in this IAL are misleading or deceptive; or

(iii) there is a material omission in this IAL.

6. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

We confirm that there is no situation of conflict of interest that exists or are likely to exist in relation to our role as the Independent Adviser in connection to the Proposals. Other than our current appointment for the Proposals, we have not advised Capital A in the capacity of principal adviser nor independent adviser for any corporate exercise or having any professional relationship with Capital A within the past two (2) years preceding the LPD.

PIVB is a holder of the Capital Markets Services Licence issued by the Securities Commission Malaysia and is a participating organisation of Bursa Securities. Our credentials and experience where we had been appointed as an independent adviser since 2021 and up to the LPD include, amongst others, the following:

(i) proposed acquisition of substantially all of the assets and liabilities of Kuchai Development Berhad ("**KDB**") for a total consideration of up to RM275.47 million, which will be satisfied through the allotment and issuance of ordinary shares in Sungei Bagan Company (Malaya) Berhad, proposed exemption to KDB and persons acting in concert with it from the obligation to undertake a mandatory offer for all the remaining shares not already held by them upon completion of the proposed acquisition and proposed exemption to Kluang Rubber Company (Malaya) Berhad and person acting in concert with it from the obligation to undertake a mandatory offer for all the remaining shares not already held by them upon completion of the proposed distribution by KDB of all the consideration shares. Our independent advice letter was issued on 15 April 2024;

(ii) proposed disposal by Puncak Wangi Sdn Bhd, a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("**MRCB**"), of an office tower known as Menara CelcomDigi to Maybank Trustees Berhad, acting solely in the capacity as trustee for Sentral REIT, for a cash consideration of RM450 million and proposed subscription by MRCB of up to 34,568,734 new units in Sentral REIT pursuant to the proposed placement exercise to be undertaken by Sentral REIT. Our independent advice letter was issued on 9 October 2023;

(iii) proposed joint venture between AEON Credit Service (M) Berhad and AEON Financial Service Co., Ltd. to undertake the business of a digital Islamic bank. Our independent advice letter was issued on 29 September 2023;

(iv) proposed award of contract for engineering, procurement and construction works on part of an integrated petrochemical facility in Indonesia by PT Lotte Chemical Indonesia to Lotte Engineering & Construction Co., Ltd, a 43.8%-owned associate of Lotte Chemical Corporation, the major shareholder of Lotte Chemical Titan Holding Berhad. Our independent advice letter was issued on 1 December 2021;

(v) proposed transfer by Sungei Bagan Rubber Company (Malaya) Berhad of its entire 49% equity interest in Balland Properties Limited, held through its wholly-owned subsidiary, Springvale International Limited, and 9.44% equity interest in Kuchai Development Berhad, in exchange for 100% equity interest in Torbridge Holdings Limited held by The Nyalas Rubber Estates Limited at an agreed exchange value of RM32,166,047. Our independent advice letter was issued on 17 September 2021; and

(vi) proposed exemption to Yakin Setiamas Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory offer for the remaining ordinary shares in Mudajaya Group Berhad ("**Mudajaya**") ("**Mudajaya Share(s)**"), Warrants (as defined herein) and options under employees' share option scheme not already owned by them pursuant to the proposed renounceable rights issue of up to 668,885,366 new Mudajaya Shares ("**Right Share(s)**") on the basis of 1 Rights Share for every 1 existing Mudajaya Share held, together with up to 668,885,366 free detachable warrants in Mudajaya ("**Warrant(s)**") on the basis of 1 Warrant for every 1 Rights Share subscribed for at an issue price of RM0.22 per Rights Share held on the entitlement date, pursuant to Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions. Our independent advice letter was issued on 11 June 2021.

Premised on the foregoing, PIVB is capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Capital A in relation to the Proposals.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

As set out in Section 12, Part A of the Circular, save as disclosed below, none of the Directors, major shareholder and/or persons connected with them has any interests, whether direct or indirect, in the Proposals:

		Direct		Indirect	
	Nature of interest	No. of Shares held	%	No. of Shares held	%
Interested Major Shareholders					
TLSB	• Major shareholder of the Company and a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun	509,000,000	11.82	-	-
TASB	• Major shareholder of the Company and a person connected with Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun	516,485,082	11.99	-	-
Tan Sri Anthony Francis Fernandes	• Non-Independent Executive Director, Chief Executive Officer and a major shareholder of the Company and also a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81
Datuk Kamarudin bin Meranun	• Non-Independent Executive Chairman and a major shareholder of the Company and also the Non-Independent Executive Director and a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81
Interested Directors					
Tan Sri Anthony Francis Fernandes	• Non-Independent Executive Director, Chief Executive Officer and a major shareholder of the Company and also a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81

	Nature of interest	Direct		Indirect	
		No. of Shares held	%	No. of Shares held	%
<u>Interested Directors</u>					
Datuk Kamarudin bin Meranun	• Non-Independent Executive Chairman and a major shareholder of the Company and also the Non-Independent Executive Director and a major shareholder of AAX	2,000,000	0.05	[(a)]1,025,485,082	23.81
Dato' Fam Lee Ee	• Senior Independent Non-Executive Director of the Company and Non-Independent Non-Executive Chairman of AAX	-	-	-	-

Note:

(a) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in TLSB and TASB.

Accordingly, Tan Sri Anthony Francis Fernandes, Datuk Kamarudin bin Meranun and Dato' Fam Lee Ee have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings.

The Interested Directors and Interested Major Shareholders will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in the Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of the Company to be convened.

The Interested Directors and the Interested Major Shareholders will ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in the Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of the Company to be convened.

8. EVALUATION OF THE PROPOSALS

PIVB's scope in arriving at our opinion and recommendation as the Independent Adviser to the non-interested shareholders in relation to the Proposals are limited to the following:

(a)	Rationale and benefits of the Proposals	Section 9
(b)	Evaluation of the Proposals	Section 10
(c)	Evaluation of the salient terms of the SSPAs	Section 11
(d)	Effects of the Proposals	Section 12
(e)	Risk factors of the Proposals	Section 13
(f)	Industry outlook and prospects	Section 14

The views expressed by PIVB in this IAL are, amongst others, based on current economic, market and political conditions prevailing as at the LPD. In this respect, the non-interested shareholders of Capital A should take note of any announcements relevant to their consideration of the Proposals which may be released after the LPD.

9. RATIONALE AND BENEFITS OF THE PROPOSALS

We have set out below our comments on the rationale and benefits for the Proposals as stated in Section 6, Part A of the Circular.

9.1 Rationale and benefits of the Proposed Disposals

The segmental breakdown of the revenue of the Group for the FYE 31 December 2021 to FYE 31 December 2023, as extracted from Section 6 and Section 7, Part A of the Circular, are as follows:

Business Segments	Audited					
	FYE 31 December 2021		FYE 31 December 2022		FYE 31 December 2023	
	RM'000	%	RM'000	%	RM'000	%
Aviation	691,358	46.09	3,807,020	75.92	12,051,343	84.49
Engineering	101,333	6.76	285,772	5.70	573,996	4.03
Logistic and freight services	533,653	35.57	478,716	9.55	744,718	5.22
Online travel and e-commerce travel	150,016^	10.00^	377,745^	7.53^	668,896^	4.69^
Financial and other related services	20,879	1.39	30,036#	0.60	46,010#	0.32
In-flight catering	2,828	0.19	34,986	0.70	133,600	0.94
Brand management	-*	-*	-*	-*	44,685	0.31
Total segments	**1,500,067**	**100.00**	**5,014,275**	**100.00**	**14,263,248**	**100.00**

Notes:

* *Segment's performance was not disclosed.*

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

Based on the unaudited financial statements of BigPay for the FYE 31 December 2022 and FYE 31 December 2023.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

In view of the above, we noted that the Company intends to streamline the Group's core business activities to focus on aviation services, logistics, digital and brand management businesses, which are essential and complimentary to the aviation business. Upon completion of the Proposed Disposals, the remaining business segments ("**Retained Segments**") of the Group would consist of the following:

(i)	Engineering	-	Aviation MRO segment carried out by ADE, a wholly-owned subsidiary of the Company
(ii)	Logistic and freight services	-	Logistics segment carried out by Teleport, a 77.56%-owned subsidiary of the Company
(iii)	Online travel and e-commerce travel	-	Super app segment carried out by AirAsia MOVE, a 96.19%- owned subsidiary of the Company
(iv)	Financial and other related services	-	Digital payments segment carried out by BigPay, a 99.56%- owned subsidiary of the Company
(v)	In-flight catering	-	In-flight catering segment carried out by Santan, a wholly-owned subsidiary of the Company
(vi)	Brand management of AirAsia Brand	-	Intellectual property segment carried out by Brand AA, a wholly-owned subsidiary of the Company

Based on the above, the Proposed Disposals would allow the Group to concentrate its resources and skills towards more specialised areas which are supplemental to the aviation business. Such streamlining is expected to result in higher efficiencies and reduced redundancies as the aviation business is consolidated under AAX. Further, we noted that the Retained Segments of the Group in aggregate generated PAT of RM91.40 million for the FYE 31 December 2023. Notwithstanding the above, we noted that the Entitled Shareholders of the Company are expected to be allotted and issued new AAX Shares which is listed on the Main Market of Bursa Securities. Hence, upon the completion of the Proposed Disposals, the Entitled Shareholders will still be able to participate in the aviation business and benefit from its potential prospects.

We also noted that the Proposed Disposals are also expected to result in greater clarity of investment between the Company, being the aviation services, logistics, digital and brand management business provider, and AAX, a pure aviation business consolidating both long and short haul routes under the AirAsia brand name. This is expected to allow the capital market and potential investors to better ascertain the potential as well as the prospects of each entity and facilitate business-centric valuation of the separate entities. Further, the separate entities between the aviation business, as well as aviation services, logistics, digital and brand management business would allow the Entitled Shareholders to benefit from the diversification of their investment portfolios based on their respective shareholdings in the Company and AAX upon completion of the Proposals. This is expected to provide an avenue for the shareholders as well as potential investors to achieve their investment objectives and unlock potential value arising from the segregation of business segments.

The Company is also expected to record a gain on remeasurement of the remaining interest in AAAGL and disposal of AAB upon completion of the Proposed Disposals. Based on the pro forma financial position of the Group as at FYE 31 December 2023, we noted that the Group is expected to realise a pro forma gain from the Proposed Disposals which will contribute positively to the Group's earning. Further, we also noted that the Proposed Disposals of the indebted aviation business would allow the Group to improve its gearing position by reducing its total borrowing significantly from RM24,180.0 million to RM1,734.0 million. As stipulated in Section 10, Part A of the Circular and upon the completion of the Proposed Disposals, the NA per Share of the Group is expected to improve from NL per Share of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and NA per Share of RM0.34 under the Maximum Scenario.

The Proposed Disposals will also enable the Group to exit from the aviation business and strengthen the Group's financial position with an expected pro forma gain to be realised post-completion of the Proposed Disposals. Notwithstanding the aforementioned, the Entitled Shareholders of the Company will receive AAX Shares which is listed on the Main Market of Bursa Securities upon the completion of the Proposals. This would allow the Entitled Shareholders to maintain their investment in the aviation industry via their respective shareholdings in AAX.

9.2 Rationale and benefits of the Proposed Distribution

We noted that the Proposed Distribution to be undertaken by the Company in conjunction with the Proposed AAAGL Disposal is to reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX while allowing clarity of investment in two distinct entities with different business activities, namely the aviation businesses and the aviation services, logistics, digital and brand management businesses. Additionally, this opportunity would allow Capital A investors to determine their level of exposure to two distinct entities with different business activities and potentially benefit directly from the future performance of the Company and AAX, which is expected to be a more streamlined entity consolidating the long-haul and short-haul routes under the AirAsia brand name.

We also noted that the Entitled Shareholders are not required to pay for their entitlement to the Distribution Shares. For illustration purposes, based on the Issue Price and the formula to determine the number of Distribution Shares received, we noted that for every 1,000 Shares held by the Entitled Shareholders, they are expected to receive 392 new AAX Shares. On a side note, we noted that the theoretical ex-price of Shares will be adjusted downward upon the completion of the Proposed Distribution. Nonetheless, shareholders should note that the downward adjusted value would correspond to the proportionate value of AAX Shares to be received by the Entitled Shareholders pursuant to the Proposed Distribution.

Pursuant to the above, we are of the view that the sale of the aviation business and pro forma gain arising from the Proposed Disposals will contribute positively towards the regularisation of the financial position of the Company. Further, the Company will also be able to continue to maintain their participation in the future prospects of the aviation industry via the shareholdings in AAX arising from the Proposed Distribution. Premised on the above, we are of the opinion that the rationale and benefits of the Proposals are fair and reasonable and are not detrimental to the interests of the non-interested shareholders.

10. EVALUATION OF THE PROPOSED DISPOSALS

In evaluating the reasonableness and fairness of the Proposed Disposals and in arriving at our recommendation, we have considered the following financial analysis:

(a)	Basis and justification of the AAAGL Disposal Consideration	Section 10.1
(b)	Basis and justification of the AAB Disposal Consideration	Section 10.2
(c)	Basis and justification for the Issue Price of the Consideration Shares	Section 10.3

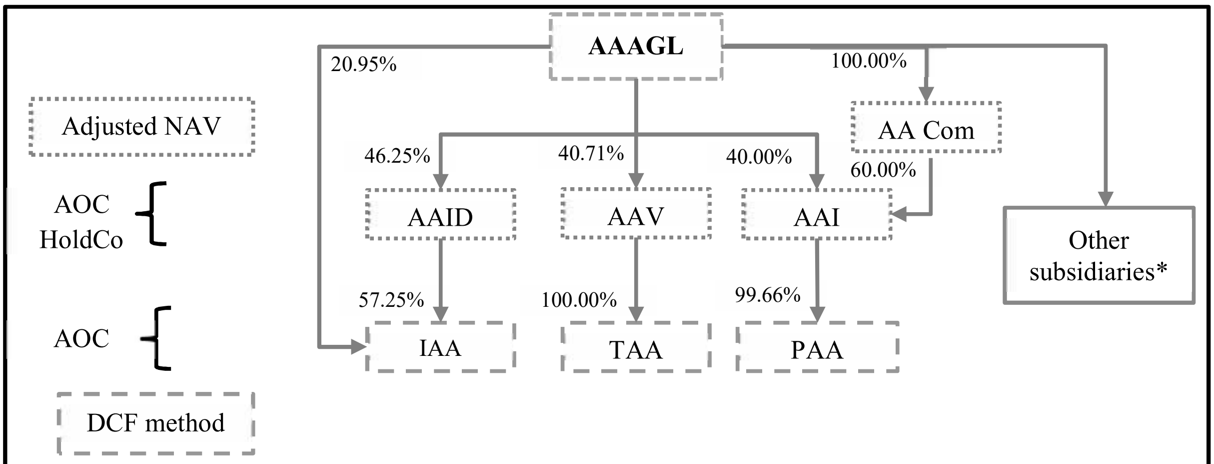
10.1 Basis and justification of the AAAGL Disposal Consideration

As disclosed in Section 2.2, Part A of the Circular, the AAAGL Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

(i) the rationale and benefits of the Proposals as detailed in Section 6, Part A of the Circular; and

(ii) the range of valuation for the AAAGL Equity Interest based on the adjusted NAV of AAAGL of USD628.0 million to USD805.0 million (equivalent to approximately RM2,880.0 million to RM3,691.0 million) as at 31 December 2023 based on an independent valuation conducted by DCAS.

In evaluating the fairness of the AAAGL Disposal Consideration, we have relied on the Valuation Letter and our assessments in Sections 10.1.1, 10.1.2, 10.1.3 and 10.1.4 of this IAL. We have reviewed and assessed the reasonableness of the valuation methods applied as well as the key basis and assumptions adopted by DCAS as disclosed in the Valuation Letter and are satisfied with the valuation of AAAGL by DCAS.



Valuation based on adjusted NAV after taking into consideration the fair value of the AOC HoldCo, fair value of IAA as well as additional capital contributions and investments made by AAAGL subsequent to 31 December 2023.

Valuation based on adjusted NAV after taking into consideration the fair value of the respective AOCs and based on the equity interest held by AAAGL in the respective AOC HoldCo.

Valuation based on income approach adopting the DCF method.

Based on carrying amount.

* Other subsidiaries comprised of AirAsia Aviation Management Services Sdn Bhd, AirAsia Europe Limited, AirAsia (Guangzhou) Aviation Service Limited Company and AirAsia Cambodia.

Based on the diagram above, in arriving at the valuation of AAAGL, we noted that DCAS has adopted the adjusted NAV approach after taking into consideration the adjusted NAV of the AOC HoldCo namely AAID, AAV, AAI and AA Com, fair value of the direct investment in IAA and the carrying amount of capital contributions and investment in other subsidiaries. The adjusted NAV of the AOC HoldCo was derived after adjusting for the fair value of the respective AOC. DCAS after considering different valuation methods such as income approach, market approach and adjusted book value approach, has adopted the adjusted NAV method for AAAGL and the AOC HoldCo in view that their current respective NAV would not be reflective of their fair values as holding companies (both direct and indirect) of the AOCs.

In deriving the valuation of the AOCs, DCAS has adopted the DCF method (income approach) as the primary method in view that the AOCs are income generating companies with active operations. The DCF method is based on the AOCs' cash flow projections prepared by the Management of the respective AOC for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying basis and assumptions and the discounting of the future cash flow to present value.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Other than the DCF method, we have also considered other valuation methods and found the following methods are not suitable for the assessment of the fair value of the AOCs due to the following reasons:

Valuation method	PIVB's comments
Revalued net asset valuation ("**RNAV**")	RNAV is a valuation method that seeks to adjust the NA of a company to take into consideration the market / current / fair value of the assets of a company to determine the adjusted value of the company's financial value. It should be noted that the underlying value of the AOCs are mainly to be derived from its future business operations instead of its assets. As such, we are of the opinion that the RNAV may not accurately reflect the fair value of the AOCs.
Relative valuation approach ("**RVA**")	RVA is a valuation method that takes into consideration trading multiples, such as price to earnings multiple ("**PE Multiple**"), price to book multiple ("**PB Multiple**") and enterprise value over earnings before interest, tax, depreciation and amortisation multiple ("**EV/EBITDA Multiple**"), of comparable companies operating in similar industries which will be adopted to determine the fair value of the company. It should be noted that the current business operations of the AOCs have not recovered fully to pre-COVID 19 levels and are not reflective of their earnings potential. As such, the RVA valuation method adopting the PE Multiple and EV/EBITDA Multiple may not be reasonable. Further as detailed above, the underlying value of the AOCs are derived mainly from future business operations instead of its assets thus, the PB Multiple may not be a reasonable method. As such, we are of the opinion that the RVA method may not accurately reflect the fair value of the AOCs.

Premised on the above, we are of the opinion that the adjusted NAV adopted to value AAAGL is appropriate as it would reflect the fair value of the AOCs (that are reflected in the adjusted NAV of the AOC HoldCo) which are the main income generating companies with active operations of the AAAGL Group. Further we are also of the opinion that the DCF method (a commonly used method which takes into consideration, amongst others, the time value of money as well as future cash flow to be derived from the business over a specific period of time) is appropriate for determining the AOCs' estimated fair value as the underlying value of the AOCs are likely to be derived from its future business operations.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Based on Section 2.2(b), Part A of the Circular, the valuation of AAAGL based on the adjusted NAV as appraised by DCAS is as follows:

		Low range USD million	High range USD million
Audited NAV of AAAGL as at 31 December 2023		183	183
Adjustments			
Add:	Uplift in fair value of investment in subsidiaries[a]	(61)	116
Add:	Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A[b]	505	505
Less:	Cost of investment incurred for the acquisition of 100% equity interest in AA Com from Capital A, which was completed in March 2024	[c]-	[c]-
AAAGL Valuation Range[d]		**628**	**805**
AAAGL Valuation Range (in RM' million)		**2,880**	**3,691**

Notes:

(a) *This was derived based on the following:*

		Low range USD million	*High range USD million*
20.95% equity in IAA[e]		*9*	*18*
46.25% equity interest in AAID[f]		*10*	*22*
40.71% equity interest in AAV[f]		*285*	*358*
100.00% equity interest in AA Com[g]		*116*	*166*
40.00% equity interest in AAI[f]		*88*	*121*
Investment in convertible bond issued by AAI[h]		*25*	*25*
Total		***533***	***710***
Less:	*Carrying amount of AAAGL's investments as at 31 December 2023[i][j]*	*(594)*	*(594)*
Uplift in fair value of investment in subsidiaries		***(61)***	***116***

(b) *The capitalisation of the amount owing by AAAGL to Capital A amounting to USD505 million is attributable to the following:*

(i) *capitalisation due to the assignment of intercompany debt due to AAB by IAA, to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD126 million (equivalent to approximately RM580 million;*

(ii) *capitalisation due to the novation of the IAA Perpetual Capital Securities from AAB to AAAGL as part of the AAAGL Debt Novation, amounting to approximately USD238 million (equivalent to approximately RM1,091 million); and*

(iii) *capitalisation of the intercompany debt due to Capital A and AAB by AAAGL, amounting to approximately USD141 million (equivalent to approximately RM648 million).*

The capitalisation of the amount owing by AAAGL to Capital A is undertaken as a waiver of AAAGL debts by Capital A.

(c) *Represents an amount of USD0.2 million.*

(d) *Total does not add up due to rounding.*

(e) *Based on the fair value of IAA which ranges between USD42 million and USD85 million and the direct equity interest of 20.95% held in IAA by AAAGL. Kindly refer to Section 10.1.1 of this IAL for the analysis of the fair value of IAA.*

(f) *Fair value of AOC HoldCo attributable to AAAGL based on the Valuation Letter:*

		AAID		**AAV**		**AAI**	
		Low range IDR billion	**High range IDR billion**	**Low range THB million**	**High range THB million**	**Low range PHP million**	**High range PHP million**
Audited NAV as at 31 December 2023		2,567	2,567	17,015	17,015	6,176	6,176
Adjustments							
Add:	Uplift in fair value of investment in subsidiaries	(2,228)	(1,849)	7,081	13,213	6,003	10,646
	AOC held	*IAA*		*TAA*		*PAA*	
	Notes: Kindly refer to	***Section 10.1.1 of this IAL***		***Section 10.1.2 of this IAL***		***Section 10.1.3 of this IAL***	
	Fair value of AOC held	*652*	*1,314*	*23,966*	*30,098*	*6,023*	*10,683*
	Equity interest held by respective AOC HoldCo	*57.25%*	*57.25%*	*100.00%*	*100.00%*	*99.66%*	*99.66%*
	Fair value of AOC attributable to respective AOC HoldCo	*373*	*752*	*23,966*	*30,098*	*6,003*	*10,646*
Less:	*Carrying amount of AOC HoldCos' investments as at 31 December 2023*	*(2,601)*	*(2,601)*	*(16,885)*	*(16,885)*	*-*	*-*
	Uplift in fair value of investment in subsidiaries	**(2,228)**	**(1,849)**	**7,081**	**13,213**	**6,003**	**10,646**
Fair valuation range		339	718	24,095	30,227	12,178	16,822
Equity interest held by AAAGL		46.25%	46.25%	40.71%	40.71%	40.00%	40.00%
Fair value of AOC HoldCo attributable to AAAGL		**157**	**332**	**9,809**	**12,306**	**4,872**	**6,729**
Fair value of AOC HoldCo attributable to AAAGL (USD million)		**10**	**22**	**285**	**358**	**88**	**121**

(g) *Fair value of AA Com attributable to AAAGL:*

		Low range PHP million	High range PHP million
Audited NAV of AA Com as at 31 December 2023[i]		-	-
Adjustments			
Add:	Uplift in fair value of investment in AAI	6,412	9,198

Less:	*Fair value of AAI (refer to Note (f) above)*	*12,178*	*16,822*
	Equity interest held in AAI by AA Com	*60.00%*	*60.00%*
	Fair value of AAI attributable to AA Com	*7,307*	*10,093*
	Carrying amount of AA Com's investments as at 31 December 2023[i]	*(895)*	*(895)*
	Uplift in fair value of investment in subsidiaries	**6,412**	**9,198**

Fair valuation range	6,412	9,198
Equity interest held by AAAGL	100.00%	100.00%
Fair value of AA Com attributable to AAAGL	**6,412**	**9,198**
Fair value of AA Com attributable to AAAGL (USD million)[k]	**116**	**166**

(h) *In May 2013, AAI issued USD25 million in redeemable, unsecured convertible bonds to AAAGL at an interest rate of 6% per annum.*

(i) *Based on the financial information provided by the Management.*

(j) *The carrying amount of AAAGL's investments have been adjusted to reflect the novation of the IAA Perpetual Capital Securities from AAB to AAAGL to be completed prior to the Proposals. As at 31 December 2023, the outstanding balance of the IAA Perpetual Capital Securities amounted to approximately RM1,091 million.*

(k) *Converted from PHP to USD based on exchange rate of PHP1:USD0.0181, being the exchange rate adopted by DCAS as disclosed in the Valuation Letter, for the purpose of the evaluation.*

Terminal value comprises more than half of the valuation of TAA, PAA and IAA, given the respective management's plan to grow their operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FYE 31 December 2024 to FYE 31 December 2028. Their operations are expected to achieve a stable state by FYE 31 December 2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rates of the respective countries in which TAA, PAA and IAA operate.

10.1.1 Fair value of IAA

The valuation range of IAA as ascribed by DCAS in its Valuation Letter based on the DCF method is as follows:

		Low range IDR billion	High range IDR billion
Enterprise value of IAA (DCF method)		3,683	4,345
Add:	Uplift in fair value of investment in subsidiaries	(3,031)	(3,031)
Fair value of IAA		**652**	**1,314**

In deriving at the fair value of IAA, DCAS has adopted the DCF method. In assessing the value of IAA by DCAS, we have considered the basis and assumptions adopted by DCAS as well as the discount factor adopted by DCAS based on the weighted average cost of capital ("**WACC**").

$$\mathbf{WACC = (W_e \times K_e) + (W_d \times (K_d)(1\text{-}T))}$$

where:

W_e	=	Weightage of equity financing
K_e	=	Cost of equity
W_d	=	Weightage of debt financing
K_d	=	Pre-tax cost of debt
T	=	Statutory corporate income tax rate

(i) Basis and assumptions

The key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of IAA, which were subsequently applied by DCAS, in arriving at the valuation of IAA are as follows:

No.	Basis and assumptions adopted		PIVB's comments
Major basis and assumptions			
1.	Revenue	• IAA is a low-cost passenger airline which provides air transportation services out of Indonesia. As at 31 December 2023, it has more than 30 leased aircraft and serves around 20 destinations with more than 30 routes. • IAA's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 98.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 2.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a compounded annual growth rate ("**CAGR**") of approximately 21.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 14.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of IAA for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 98.77% of the total revenue whilst revenue from freight services on average accounted for approximately 1.08% of the total revenue. We also noted that based on the pre-COVID-19 historical financial performance of IAA for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 96.59% of the total revenue whilst revenue from freight services on average accounted for approximately 1.18% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by IAA is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of IAA. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 98.0% and 2.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 21.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.

No.	Basis and assumptions adopted		PIVB's comments
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by IAA in previous financial years.
3.	Others	• Unutilised tax losses of IAA are expected to be utilised and offset against its projected earnings before interest and tax ("**EBIT**") between FYE 31 December 2024 to FYE 31 December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Indonesia statutory tax rate of 22.0%. • Capital expenditure for non-aircraft operating assets is projected at approximately 1.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028. • The working capital requirements of IAA have been assumed as follows: (i) Trade receivable turnover days of less than 1 week; (ii) Trade payable turnover days between 30 and 45 days; and (iii) Other working capital requirements based on historical trends and discussions with the Management. • The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 3.0%, being the 20-year long-term inflation rate in Indonesia.	Based on our discussion with the management of Capital A, we noted that IAA has unutilised tax losses which can be carried forward up to 5 years and utilised together with unabsorbed capital allowance to offset profit generated by the company. Further, we noted that the assumed corporate tax rate from FYE 31 December 2028 onwards of 22.0% is fair as it is in accordance with the statutory corporate tax requirement in Indonesia. We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity. The assumed trade receivables turnover days of less than 1 week is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 98.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends. Further as disclosed in the annual report of AAID for the FYE 31 December 2023, the trade payables period generally has terms of payment between 30 to 60 days. We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 3.0% is fair after taking into consideration the average forecasted inflation rate of Indonesia for year 2024 to 2026 of approximately 2.93% per annum as extracted from Bloomberg.
General basis and assumptions			
1.	AAAGL Group is and will continue as a going concern.		We are of the view that the general basis and assumptions appear reasonable as the business of the AAAGL Group, which includes IAA, is expected to continue as a going concern.
2.	There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAAGL Group.		
3.	There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAAGL Group.		

(ii) WACC

In arriving at the fair value of IAA, DCAS has discounted the future cashflow ("**FCF**") generated by IAA to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 17.5% to 19.0%. For evaluation purposes, we have also computed the WACC for IAA based on the following factors:

No.	Component	Basis	IAA
Cost of debt ("k_d")			
1.	k_d	After taking into consideration the coupon rates of existing, investment grade corporate bonds of companies in each respective country/each respective countries government in issue as at 31 December 2023.	7.90%
Cost of equity ("k_e")			
1.	Risk free rate (**R_f**)	Based on the 5-year (up to 31 December 2023) average yield of 10-year government securities of each respective country as extracted from Bloomberg.	6.90% (10-year Indonesia Bond)
2.	Expected market return rate (**R_m**)	Based on the 5-year (up to 31 December 2023) average market rate of return of respective country as extracted from Bloomberg.	12.42%
3.	Tax rate	Statutory tax rate of each respective country.	22%
4.	Beta (**β**)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.15x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies*.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies*.	30%
7.	Country specific spread (ξ)	As extracted from Professor Damodaran's website (adopted for countries which adopt US as benchmark for R_f and R_m).	-
8.	Company specific risk premium (**δ**)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	9.80% - 10.60%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	23.05% - 23.85%
10.	Adopted k_e		**23.10% - 23.90%**

Note:

* *Details of the comparable companies are as follows:*

Comparable Company	*Market Capitalisation (RM million)*	*Levered Beta times*	*Debt Ratio %*	*Equity Ratio %*	*Net Debt / Equity %*	*Unlevered Beta times*
AirAsia X Berhad	*836.03*	*2.37*	*31.97*	*68.03*	*46.99*	*1.61*
Asia Aviation Public Company Limited	*3,434.48*	*1.97*	*27.63*	*72.37*	*38.18*	*1.47*
Capital A Berhad	*3,510.03*	*1.24*	*39.02*	*60.98*	*63.99*	*0.78*
Cebu Air, Inc	*1,710.24*	*1.03*	*66.77*	*33.23*	*200.93*	*0.42*
InterGlobe Aviation Limited	*63,199.98*	*0.96*	*14.24*	*85.76*	*16.60*	*0.86*
Jeju Air Co. Ltd.	*3,337.15*	*1.00*	*24.82*	*75.18*	*33.01*	*0.80*
SpiceJet Limited	*2,454.17*	*1.67*	*26.65*	*73.35*	*36.33*	*1.33*
Spring Airlines Co. Ltd.	*31,657.29*	*1.11*	*23.55*	*76.45*	*30.80*	*0.88*
VietJet Aviation Joint Stock Company	*11,055.37*	*0.76*	*21.21*	*78.79*	*26.92*	*0.66*
		Average	***30.65***	***69.35***	***54.86***	***0.98***
		Median	***26.65***	***73.35***	***36.33***	***0.86***
		Adopted	***30.00***	***70.00***	***42.86***	***0.86***

WACC Computation

Component	
k_d	7.90%
Debt structure adopted	30%
Tax rate	22%
k_e	23.10% - 23.90%
Equity structure adopted	70%
WACC computed by PIVB for IAA	18.0% - 18.6%
WACC adopted by DCAS for IAA	17.5% - 19.0%

Premised on the above, we noted that the WACC computed by PIVB for IAA is generally consistent with the WACC adopted by DCAS for IAA.

10.1.2 Fair value of TAA

The valuation range of TAA as ascribed by DCAS based on the DCF method is as follows:

	Low range[(a)] THB million	**High range[(a)] THB million**
Enterprise value of TAA (DCF method)	25,757	31,889
Add: Uplift in fair value of investment in subsidiaries	(1,792)	(1,792)
Fair value of TAA[(a)]	**23,966**	**30,098**

Note:

(a) Total does not add up due to rounding.

In deriving at the fair value of TAA, DCAS has adopted the DCF method. In assessing the value of TAA by DCAS, we have considered the basis and assumptions which was adopted by DCAS as well as the discount factor adopted by DCAS based on the WACC (formula as detailed in Section 10.1.1 of this IAL).

(i) Basis and assumptions

We also noted that the key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of TAA, which were subsequently applied by DCAS, in arriving at the valuation of TAA are as follows:

No.	Basis and assumptions adopted		PIVB's comments
Major basis and assumptions			
1.	Revenue	• TAA is a low-cost passenger airline which provides air transportation services out of Thailand. As at 31 December 2023, it has more than 50 leased aircraft and serves around 50 destinations with more than 60 routes. • TAA's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 99.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 1.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a CAGR of approximately 11.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 5.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of TAA for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 99.49% of the total revenue whilst revenue from freight services on average accounted for approximately 0.51% of the total revenue. We also noted that based on the pre-COVID-19 historical financial performance of TAA for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 99.30% of the total revenue whilst revenue from freight services on average accounted for approximately 0.70% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by TAA is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of TAA. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 11.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by TAA in previous financial years.

<table>
<tr><th>No.</th><th colspan="2">Basis and assumptions adopted</th><th>PIVB's comments</th></tr>
<tr><td>3.</td><td>Others</td><td>• Unutilised tax losses of TAA are expected to be utilised and offset against its projected EBIT in FYE 31 December 2024 and FYE 31 December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Thailand statutory tax rate of 20.0%.

• Capital expenditure for non-aircraft operating assets is projected at approximately 0.2% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028.

• The working capital requirements of TAA have been assumed as follows:

(i) Trade receivable turnover days of less than 1 week;

(ii) Trade payable turnover days between 30 and 45 days; and

(iii) Other working capital requirements based on historical trends and discussions with the Management.

• The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 1.0%, being the 20-year long-term inflation rate in Thailand.</td><td>Based on our discussion with the management of Capital A, we noted that TAA has unutilised tax losses which can be carried forward up to 5 years to offset profit generated by the company. Further, we noted that the assumed corporate tax rate from FYE 31 December 2028 onwards of 20.0% is fair as it is in accordance with the statutory corporate tax requirement in Thailand.

We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity.

The assumed trade receivables turnover days of less than 1 week is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 99.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends.

We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 1.0% is fair after taking into consideration the average forecasted inflation rate of Thailand for year 2024 to 2026 of approximately 1.43% per annum as extracted from Bloomberg.</td></tr>
<tr><td colspan="4"><u>General basis and assumptions</u></td></tr>
<tr><td>1.</td><td colspan="2">AAAGL Group is and will continue as a going concern.</td><td rowspan="3">We are of the view that the general basis and assumptions appear reasonable as the business of the AAAGL Group, which includes TAA, is expected to continue as a going concern.</td></tr>
<tr><td>2.</td><td colspan="2">There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAAGL Group.</td></tr>
<tr><td>3.</td><td colspan="2">There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAAGL Group.</td></tr>
</table>

(ii) WACC

In arriving at the fair value of TAA, DCAS has discounted the FCF to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 12.0% to 14.5%. For evaluation purposes, we have also computed the WACC for TAA based on the following factors:

No.	Component	Basis	TAA
Cost of debt (“k_d”)			
1.	k_d	After taking into consideration the coupon rates of existing, investment grade corporate bonds of companies in each respective country/each respective countries government in issue as at 31 December 2023.	9.00%
Cost of equity (“k_e”)			
1.	Risk free rate (**R_f**)	Based on the 5-year (up to 31 December 2023) average yield of 10-year government securities of each respective country as extracted from Bloomberg.	2.07% (10-year Thailand Bond)
2.	Expected market return rate (**R_m**)	Based on the 5-year (up to 31 December 2023) average market rate of return of respective country as extracted from Bloomberg.	12.94%
3.	Tax rate	Statutory tax rate of each respective country.	20%
4.	Beta (**β**)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.15x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies*.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies*.	30%
7.	Country specific spread (**ξ**)	As extracted from Professor Damodaran’s website (adopted for countries which adopt US as benchmark for R_f and R_m).	-
8.	Company specific risk premium (**δ**)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	2.10% - 2.90%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	16.67% - 17.47%
10.	Adopted k_e		**16.70% - 17.50%**

Note:

* *Details of the comparable companies are disclosed in Section 10.1.1 of this IAL.*

WACC Computation

Component	
k_d	9.00%
Debt structure adopted	30%
Tax rate	20%
k_e	16.70% - 17.50%
Equity structure adopted	70%
WACC computed by PIVB for TAA	13.9% - 14.4%
WACC adopted by DCAS for TAA	12.0% - 14.5%

Premised on the above, the WACC computed by PIVB for TAA is generally consistent with the WACC adopted by DCAS for TAA.

10.1.3 Fair value of PAA

The valuation range of PAA as ascribed by DCAS based on the DCF method is as follows:

		Low range[(a)]	High range[(a)]
		PHP million	PHP million
Enterprise value of PAA (DCF method)		17,020	21,679
Add:	Uplift in fair value of investment in subsidiaries	(10,997)	(10,997)
Fair value of PAA[(a)]		**6,023**	**10,683**

Note:

(a) Total does not add up due to rounding.

In deriving at the fair value of PAA, DCAS has adopted the DCF method. In assessing the value of PAA by DCAS, we have considered the basis and assumptions adopted by DCAS as well as the discount factor adopted by DCAS based on the WACC (formula as detailed in Section 10.1.1 of this IAL).

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

(i) Basis and assumptions

We also noted that the key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of PAA, which were subsequently applied by DCAS, in arriving at the valuation of PAA are as follows:

No.	Basis and assumptions adopted		PIVB's comments
Major basis and assumptions			
1.	Revenue	• PAA is a low-cost passenger airline which provides air transportation services out of Philippines. As at 31 December 2023, it has more than 20 leased aircraft and serves around 20 destinations with more than 20 routes. • PAA's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 99.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 1.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a CAGR of approximately 15.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 11.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of PAA for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 96.55% of the total revenue whilst revenue from freight services on average accounted for approximately 2.99% of the total revenue. We also noted that based on the pre-COVID-19 historical financial performance of PAA for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 98.47% of the total revenue whilst revenue from freight services on average accounted for approximately 1.53% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by PAA is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of PAA. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 15.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by PAA in previous financial years.

No.	Basis and assumptions adopted		PIVB's comments
3.	Others	• Unutilised tax losses of PAA are expected to be utilised and offset against its projected EBIT in FYE 31 December 2024 and FYE 31 December 2025. Tax expenses have been assumed from FYE 31 December 2026 onwards at Philippines statutory tax rate of 25.0%.	Based on our discussion with the management of Capital A, we noted that PAA has unutilised tax losses which can be carried forward up to 3 years and utilised to offset profit generated by the company. Further, we noted that the assumed corporate tax rate from FYE 31 December 2028 onwards of 25.0% is fair as it is in accordance with the statutory corporate tax requirement in Philippines.
		• Capital expenditure for non-aircraft operating assets is projected at approximately 2.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028.	We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity.
		• The working capital requirements of PAA have been assumed as follows: (i) Trade receivable turnover days of less than 1 week; (ii) Trade payable turnover days between 30 and 70 days; and (iii) Other working capital requirements based on historical trends and discussions with the Management.	The assumed trade receivables turnover days of less than 1 week is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 99.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends.
		• The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 3.0%, being the 20-year long-term inflation rate in Philippines.	We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 3.0% is fair after taking into consideration the average forecasted inflation rate of Philippines for year 2024 to 2026 of approximately 3.27% per annum as extracted from Bloomberg.
<u>General basis and assumptions</u>			
1.	AAAGL Group is and will continue as a going concern.		We are of the view that the general basis and assumptions appear reasonable as the business of the AAAGL Group, which includes PAA, is expected to continue as a going concern.
2.	There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAAGL Group.		
3.	There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAAGL Group.		

(ii) WACC

In arriving at the fair value of PAA, DCAS has discounted the FCF to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 17.0% to 19.0%. For evaluation purposes, we have also computed the WACC for PAA based on the following factors:

No.	Component	Basis	PAA
Cost of debt (“k_d”)			
1.	k_d	After taking into consideration the coupon rates of existing, investment grade corporate bonds of companies in each respective country/each respective countries government in issue as at 31 December 2023.	7.40%
Cost of equity (“k_e”)			
1.	Risk free rate (R_f)	Based on the 5-year (up to 31 December 2023) average yield of 10-year government securities of each respective country as extracted from Bloomberg.	2.27% (10-year US Bond)
2.	Expected market return rate (R_m)	Based on the 5-year (up to 31 December 2023) average market rate of return of respective country as extracted from Bloomberg.	9.50%
3.	Tax rate	Statutory tax rate of each respective country.	25%
4.	Beta (β)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.14x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies.	30%
7.	Country specific spread (ξ)	As extracted from Professor Damodaran’s website (adopted for countries which adopt US as benchmark for R_f and R_m).	2.80%
8.	Company specific risk premium (δ)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	9.90% - 11.00%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	23.21% - 24.31%
10.	Adopted k_e		**23.20% - 24.30%**

Note:

* *Details of the comparable companies are disclosed in Section 10.1.1 of this IAL.*

WACC Computation

Component	
k_d	7.40%
Debt structure adopted	30%
Tax rate	25%
k_e	23.20% - 24.30%
Equity structure adopted	70%
WACC computed by PIVB for PAA	17.9% - 18.7%
WACC adopted by DCAS for PAA	17.0% - 19.0%

Premised on the above, the WACC computed by PIVB for PAA is generally consistent with the WACC adopted by DCAS for PAA.

10.1.4 Fair value of AAAGL by PIVB

After taking into consideration the WACC that we have adopted for IAA, TAA, PAA, the valuation of AAAGL would be as follows:

		Low range USD million	High range USD million
Audited NAV of AAAGL as at 31 December 2023		183	183
Adjustments			
Add:	Uplift in fair value of investment in subsidiaries[(a)]	(42)	11
Add:	Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A	505	505
Less:	Cost of investment incurred for the acquisition of 100% equity interest in AA Com from Capital A, which was completed in March 2024	[(b)]-	[(b)]-
Fair value of AAAGL		**646**	**699**
Fair value of AAAGL (in RM' million)[(c)]		**2,964**	**3,207**

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Notes:

(a) *This was derived based on the following:*

	Low range	*High range*
	USD million	*USD million*
20.95% equity in IAA	*11*	*15*
46.25% equity interest in AAID	*13*	*18*
40.71% equity interest in AAV	*288*	*300*
100.00% equity interest in AA Com	*123*	*142*
40.00% equity interest in AAI	*92*	*105*
Investment in convertible bond issued by AAI	*25*	*25*
Total	***552***	***605***
Less: Carrying amount of AAAGL's investments as at 31 December 2023	*(594)*	*(594)*
Uplift in fair value of investment in subsidiaries	***(42)***	***11***

(b) *Represents an amount of USD0.2 million.*

(c) *Converted from USD to RM based on exchange rate of USD1:RM4.5875, being the exchange rate adopted by DCAS as disclosed in the Valuation Letter.*

Further to the above, we have set out below AAAGL's valuation range derived by PIVB as well as ascribed by DCAS:

	Low range		**High range**	
	USD million	**RM million**	**USD million**	**RM million**
AAAGL's valuation by PIVB	**646**	**2,964**	**699**	**3,207**
AAAGL's valuation by DCAS	**628**	**2,880**	**805**	**3,691**

Premised on the foregoing, although the AAAGL Disposal Consideration is at the lower end of the AAAGL Valuation Range, we are of the opinion that the AAAGL Disposal Consideration of RM3,000.0 million is fair after considering the following:

(i) **the AAAGL Disposal Consideration is within the AAAGL's valuation range derived by PIVB and ascribed by DCAS;**

(ii) **the effects of the Proposed AAAGL Disposal which is expected to result in an improvement in the consolidated NA of the Company; and**

(iii) **the Company is expected to realise a pro forma gain arising from the remeasurement of remaining interest in AAAGL of approximately RM3.61 billion which is expected to improve the financial condition of the Company.**

10.2 Basis and justification of the AAB Disposal Consideration

As disclosed in Section 3.2, Part A of the Circular, the AAB Disposal Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

(i) the rationale and benefits of the Proposals as detailed in Section 6, Part A of the Circular; and

(ii) the equity value of AAB Equity Interest as at 31 December 2023 based on an independent valuation conducted by DCAS ranging between RM3,721.0 million to RM4,602.0 million as at 31 December 2023.

In evaluating the fairness of the AAB Purchase Consideration, we have relied on the Valuation Letter prepared by DCAS and our assessments below. We have reviewed and assessed the reasonableness of the valuation methods applied as well as the key basis and assumptions adopted by DCAS as disclosed in the Valuation Letter and are satisfied with the valuation of AAB by DCAS. In deriving the valuation of AAB, DCAS has adopted the DCF method (income approach), given that AAB is an income-generating company with active operations. The DCF method is based on AAB's cash flow projections prepared by the Management for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying basis and assumptions and the discounting of the future cash flow to present value. Premised on the above, we are of the opinion that the DCF method (a commonly used method which takes into consideration, amongst others, the time value of money as well as future cash flow to be derived from the business over a specific period of time) adopted to value AAB is appropriate as the underlying value of AAB is likely to be derived from its future business operations. Further, we have also considered other valuation methods and found the following methods are not suitable for the assessment of the fair value of the AAB due to the following reasons:

Valuation method	PIVB's comments
RNAV	RNAV is a valuation method that seeks to adjust the net asset of a company to take into consideration the market / current / fair value of the assets of a company to determine the adjusted value of the company's financial value. It should be noted that the underlying value of AAB is mainly to be derived from its future business operations instead of its assets. As such, we are of the opinion that the RNAV may not accurately reflect the fair value of AAB.
RVA	RVA is a valuation method that takes into consideration trading multiples, such as PE Multiple, PB Multiple and EV/EBITDA Multiple, of comparable companies operating in similar industries which will be adopted to determine the fair value of the company. It should be noted that the current business operations of AAB have not recovered fully to pre-COVID-19 levels and are not reflective of their earnings potential. As such, the RVA valuation method adopting the PE Multiple and EV/EBITDA Multiple may not be reasonable. Further as detailed above, the underlying value of AAB are derived mainly from future business operations instead of its assets thus, the PB Multiple may not be a reasonable method. As such, we are of the opinion that the RVA may not accurately reflect the fair value of AAB.

The valuation of AAB based on the adjusted NAV as appraised by DCAS in its Valuation Letter is as follows:

	Low range	High range
	RM million	**RM million**
Enterprise value of AAB	2,278	3,158
Add: Net cash	1,444	1,444
Fair value of AAB[(a)]	**3,721**	**4,602**

Note:

(a) Total does not add up due to rounding.

Terminal value comprises more than half of the valuation of AAB, given its management's plan to grow its operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FYE 31 December 2024 to FYE 31 December 2028. The operation of AAB is expected to achieve a stable state by FYE 31 December 2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rate of the country in which AAB mainly operates.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

In assessing the value of AAB by DCAS, we have considered the basis and assumptions adopted by DCAS as well as the discount factor adopted by DCAS based on the WACC (formula as detailed in Section 10.1.1 of this IAL).

(i) Basis and assumptions

We also noted that the key basis and assumptions adopted by the Management in the preparation of the financial forecast and projection of AAB, which were subsequently applied by DCAS, in arriving at the valuation of AAB which are as follows:

No.	Basis and assumptions adopted		PIVB's comments
Major basis and assumptions			
1.	Revenue	• AAB is a low-cost passenger airline which provides air transportation services out of Malaysia. As at 31 December 2023, it has more than 100 leased aircraft and serves around 50 destinations with more than 80 routes. • AAB's revenue streams mainly consist of: (i) Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute approximately 99.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028; and (ii) Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute approximately 1.0% of the total revenue between FYE 31 December 2024 and FYE 31 December 2028. • The total revenue is expected to grow at a CAGR of approximately 13.0% between FYE 31 December 2024 and FYE 31 December 2028 and approximately 6.0% between FYE 31 December 2019 and FYE 31 December 2028.	Based on the recent historical financial performance of AAB for FYE 31 December 2022 and FYE 31 December 2023, we noted that passenger revenue on average accounted for approximately 98.36% of the total revenue (excluding operating lease income) whilst revenue from freight services on average accounted for approximately 1.43% of the total revenue (excluding operating lease income). We also noted that based on the pre-COVID-19 historical financial performance of AAB for FYE 31 December 2018 and FYE 31 December 2019, passenger revenue on average accounted for approximately 98.00% of the total revenue whilst revenue from freight services on average accounted for approximately 1.83% of the total revenue. Based on our discussion with the Management, we noted that the growth in revenue by AAB is in line with the Management's business plan to increase flight frequency of existing routes as well as introduction of new routes both of which are achieved by the planned increased in fleet size of AAB. Therefore, we are of the view that the assumed contribution of passenger revenue and revenue from freight services of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair and the assumed revenue CAGR of 13.0% between FYE 31 December 2024 and FYE 31 December 2028 is expected to be driven by the increase in flight frequency and introduction of new routes, both of which is supported by the intended growth in fleet size.
2.	Operating expenditure	• The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We noted that the operating expenditure is similar as that incurred by AAB in previous financial years.

<table>
<tr><th>No.</th><th colspan="2">Basis and assumptions adopted</th><th>PIVB's comments</th></tr>
<tr><td>3.</td><td>Others</td><td>• Unutilised tax losses of AAB are expected to be utilised and offset against its projected EBIT in FYE 31 December 2024 and FYE 31 December 2028. Tax expenses are assumed in the terminal period at Malaysia statutory tax rate of 24.0%.

• Capital expenditure for non-aircraft operating assets is projected at approximately 1.0% of the total projected revenue between FYE 31 December 2024 and FYE 31 December 2028.

• The working capital requirements of AAB have been assumed as follows:

(i) Trade receivable turnover days of less than 2 weeks;

(ii) Trade payable turnover days between 30 and 45 days; and

(iii) Other working capital requirements based on historical trends and discussions with the Management.

• The cash flows are projected to grow in perpetuity after FYE 31 December 2028, using a terminal year growth rate of approximately 2.0%, being the 20-year long-term inflation rate in Malaysia.</td><td>Based on our discussion with the management of Capital A, we noted that AAB has unutilised losses, capital allowance and incentives carried forward to cover the projected earnings generated by the company. Further, we noted that the assumed corporate tax rate from the terminal period of 24.0% is fair as it is in accordance with the statutory corporate tax requirement in Malaysia.

We noted from our discussion with the management of Capital A that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations or increased capacity.

The assumed trade receivables turnover days of less than 2 weeks is reasonable as the transactions for passenger revenue comprising mainly of scheduled and chartered flights, which accounts for 99.0% of total revenue, are normally settled in cash. Based on our discussion with the Management, the trade payable turnover period days adopted is reasonable as it reflects historical trends.

We noted that the assumed terminal year growth rate after FYE 31 December 2028 of 2.0% is fair after taking into consideration the average forecasted inflation rate of Thailand for year 2024 to 2026 of approximately 2.43% per annum as extracted from Bloomberg.</td></tr>
<tr><td colspan="4"><u>General basis and assumptions</u></td></tr>
<tr><td>1.</td><td colspan="2">AAB is and will continue as a going concern.</td><td rowspan="3">We are of the view that the general basis and assumptions appear reasonable as the business of the AAB is expected to continue as a going concern.</td></tr>
<tr><td>2.</td><td colspan="2">There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial position of AAB.</td></tr>
<tr><td>3.</td><td colspan="2">There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, basis and rates of taxation and other lending guidelines which will affect the activities of AAB.</td></tr>
</table>

(ii) WACC

In arriving at the fair value of AAB, DCAS has discounted the FCF to the present value using the risk-adjusted discount rate by adopting the WACC ranging from 12.5% to 14.5%. For evaluation purposes, we have also computed the WACC for AAB based on the following factors:

No.	Component	Basis	AAB
Cost of debt (“k_d”)			
1.	k_d	After taking into consideration the coupon rates of existing corporate bonds of companies in Malaysia/ Malaysian government in issue as at 31 December 2023 which are investment grade.	7.90%

No.	Component	Basis	AAB
Cost of equity (“k_e”)			
1.	Risk free rate (**R_f**)	Based on the 5-year (up to 31 December 2023) average yield of 10-year Malaysian government securities as extracted from Bloomberg.	3.52%
2.	Expected market return rate (**R_m**)	Based on the 5-year (up to 31 December 2023) average market rate of return of Malaysia as extracted from Bloomberg.	10.00%
3.	Tax rate	Statutory tax rate of Malaysia.	24%
4.	Beta (**β**)	Based on the median unlevered beta of the comparable companies of 0.86x and re-levered based on the debt-to-equity structure and respective statutory tax rate*.	1.14x
5.	Equity ratio	Based on the equity ratio adopted by DCAS and referenced to the average equity ratio of comparable companies.	70%
6.	Debt ratio	Based on the debt ratio adopted by DCAS and referenced to the average debt ratio of comparable companies.	30%
7.	Country specific spread (**ξ**)	As extracted from Professor Damodaran’s website (adopted for countries which adopt US as benchmark for R_f and R_m).	-%
8.	Company specific risk premium (**δ**)	Represents risk attributed to a particular company and in determining such risk, subject judgement is required. In arriving at this premium, we have considered multiple factors such as achievability of the financial forecast and projection, undertaken sensitivity analysis, operating and business environment, prospects, size and industry sector.	5.50% - 7.10%
9.	Calculated k_e	Based on the capital asset pricing model as per the following formula: *Cost of equity* $= R_f + \beta(R_m - R_f) + \xi + \delta$	16.41% - 18.01%
10.	Adopted k_e		**16.40% - 18.00%**

Note:

* *Details of the comparable companies are disclosed in Section 10.1.1 of this IAL.*

WACC Computation

Component	
k_d	7.90%
Debt structure adopted	30%
Tax rate	24%
k_e	16.40% - 18.00%
Equity structure adopted	70%
WACC computed by PIVB for AAB	13.3% - 14.4%
WACC adopted by DCAS for AAB	12.5% - 14.5%

Premised on the above, the WACC computed by PIVB for AAB is generally consistent with the WACC adopted by DCAS for AAB.

Pursuant thereto, we have also performed our own valuation of AAB based on the WACC calculated by PIVB of 13.3% to 14.4% and arrived at a fair value of AAB as follows:

	Low range	High range
	RM million	RM million
Enterprise value of AAB	2,318	2,771
Add: Net cash	1,444	1,444
AAB's valuation by PIVB[(a)]	**3,762**	**4,215**
AAB's valuation by DCAS	**3,721**	**4,602**

Note:

(a) For information purposes, we have also considered the impact of the issuance of the Revenue Bond. For illustration purposes, the valuation range of AAB as derived by PIVB, after considering the impact for the issuance of the Revenue Bond, ranges between RM3,773.0 million and RM4,198.0 million. The impact of the issuance of the Revenue Bond is deemed immaterial as the variance is less than 1% as compared to the valuation range derived by PIVB of between RM3,762.0 million and RM4,215.0 million (excluding the impact of the Revenue Bond). Further information on the Revenue Bond and the impact of the Revenue Bond on the valuation of AAB by DCAS are set out in Section 3, Part A of the Circular, Section 12 of Appendix III of the Circular and DCAS' letter dated 10 September 2024 as attached in Appendix VII of the Circular.

Premised on the above, although the AAB Disposal Consideration is at the lower end of the AAB Valuation Range, we are of the view that the AAB Disposal Consideration of RM3,800.0 million is fair after taking into consideration the following:

(i) the AAB Disposal Consideration is within the AAB's valuation range derived by PIVB and DCAS;

(ii) the Company is expected to realise a gain on disposal of AAB of approximately RM7.67 billion which is expected to improve the financial condition of the Company;

(iii) in view that the AAB Disposal Consideration will be satisfied by way of AAX's assumption of the Company's debt due to AAB of RM3,800.0 million, this would allow the Group to recognise interest savings in comparison to repayment of the amount due to AAB via borrowings. For illustration purposes, assuming Capital A were to borrow funds from financial institutions to repay the debt, based on their weighted average interest rate of 8.49% as disclosed in the Company's Annual Report 2023, the interest expense would be approximately RM322.62 million per annum. Pursuant thereto, this would negatively impact the Company's profitability, as well as cashflow; and

(iv) **the effects of the Proposed AAB Disposal which is expected to result in an improvement in the consolidated NA of the Company.**

Further as disclosed in Section 3.1, Part A of the Circular, pursuant to the assumption of debt, the following shall occur simultaneously:

(i) AAB shall fully release the Company from the liability for the payment of the amount owing from the Company to AAB; and

(ii) AAX shall fully assume the liability for the payment of the amount owing from the Company to AAB.

In view of the above, we are of the view that the method of settlement for the AAB Disposal Consideration is reasonable.

10.3 Basis and justification for the Issue Price of the Consideration Shares

As detailed in Section 2.3, Part A of the Circular, the AAAGL Disposal Consideration will be fully satisfied via the issuance of the Consideration Shares at the Issue Price, which is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date prior to the date of announcement on 25 April 2024 ("**Announcement**") of the Proposals ("**Announcement LPD**"). Further, as disclosed in Section 2.1, Part A of the Circular, 1,692,307,692 Consideration Shares will be allocated and issued directly by AAX to the Entitled Shareholders pursuant to the Proposed Distribution on the AAAGL Completion Date.

In assessing the fairness and reasonableness of the Issue Price of the Consideration Shares to satisfy the Proposed AAAGL Disposal, of which approximately 73.33% of the total Consideration Shares will be allotted and issued directly to the Entitled Shareholders pursuant to the Proposed Distribution, we have considered the following:

10.3.1 Historical market price performance of the AAX Shares

The movement of the daily closing market prices of the AAX Shares for the past twelve (12) months prior to the Announcement and up to the LPD is illustrated below:

(Source: Bloomberg)

Based on the graph above, we note that the highest closing market price of AAX Shares was RM2.57 on 13 September 2023 and the lowest closing market price of AAX Shares was RM1.18 on 22 April 2024 for the past 12 months prior to the Announcement and up to the LPD.

Save for the following announcements of material developments which may have affected the movement of the market price of AAX Shares, we have not noted any other key announcements which may have a material effect on the market prices of AAX Share for the past 12 months prior to the Announcement and up to the LPD:

No.	Date	Announcement (with reference to the graph above)
(a)	28 April 2023	Annual Report for the FYE 31 December 2022.
(b)	9 May 2023	Bursa Securities had granted an extension of time of three (3) months up to 28 July 2023 for AAX to submit its regularisation plan to the regulatory authorities.
(c)	22 May 2023	AAX proposed to undertake a placement of 32,258,006 new AAX Shares representing approximately 7.78% of the total number of issued AAX Shares to AHAM Asset Management Berhad, AIIMAN Asset Management Sdn Bhd and Lavin Group Sdn Bhd (collectively defined as the "Subscribers") at an issue price of RM1.55 per AAX Share, vide three (3) conditional share subscription agreements entered into between AAX and the Subscribers ("Proposed Private Placement").
(d)	29 May 2023	Unaudited quarterly financial results for the 3-month FPE 31 March 2023.
(e)	15 June 2023	Completion of the Proposed Private Placement.
(f)	20 July 2023	Submission of application to Bursa Securities for the following: (i) relief from having to submit and implement a regularisation plan as required under Paragraph 8.04(3)(a) of the Listing Requirements ("Proposed Relief"); and (ii) upliftment of AAX from being classified as an affected listed issuer under PN17 ("PN17 Upliftment").
(g)	28 August 2023	Unaudited quarterly financial results for the 6-month FPE 30 June 2023.
(h)	19 October 2023	Bursa Securities has, vide its letter dated 18 October 2023, confirmed that it has resolved: (i) to reject AAX's application for the Proposed Relief and PN17 Upliftment; and (ii) to grant AAX an extension of time up to 17 January 2024 to submit its regularisation plan to the regulatory authorities.
(i)	21 November 2023	Unaudited quarterly financial results for the 9-month FPE 31 September 2023. Bursa Securities has, vide its letter dated 21 November 2023, after taking into consideration the relevant facts and circumstances, including among others, the following: (i) AAX no longer triggers any prescribed criteria under Paragraph 2.1 of PN17; (ii) AAX having complied with the criteria for waiver and upliftment from being classified as a PN17 company; and

No.	Date	Announcement (with reference to the graph above)
		(iii) the quarterly report for the financial period ended 30 September 2023 ("Quarterly Results") which is due by 30 November 2023 pursuant to Paragraph 9.22 of the Listing Requirements, resolved to allow AAX's appeal in respect of Bursa Securities' decision on rejection on the application for the Proposed Relief and PN17 Upliftment, subject to AAX announcing a profit after taxation attributable to the equity holders of AAX in the Quarterly Results. Notice of upliftment of AAX from being classified as a PN17 company effective 9.00am Wednesday, 22 November 2023.
(j)	8 January 2024	AAX has entered into a non-binding letter of acceptance with Capital A for the proposed acquisition by AAX of 100% equity interest in AAB and 100% equity interest in AAAGL, both are wholly-owned subsidiaries of Capital A ("Proposed Acquisitions").
(k)	29 February 2024	Unaudited quarterly financial results for the FYE 31 December 2023.
(l)	13 March 2024	AAX and Capital A have mutually agreed to extend the negotiations period to execute the definitive agreement for the Proposed Acquisitions until 15 April 2024.
(m)	9 April 2024	AAX and Capital A have mutually agreed to extend the negotiation period to execute the definitive agreement for the Proposed Acquisitions until 30 April 2024.
(n)	25 April 2024	AAX has entered into a conditional internal reorganisation agreement with AirAsia Group Sdn Bhd (formerly known as AirAsia Aviation Group Sdn Bhd) ("NewCo") for the implementation of a proposed internal reorganisation comprising the following: (i) the proposed exchange of all AAX Shares with new ordinary shares in the NewCo on the basis of 1 new NewCo share for every 1 existing AAX Share held by the entitled AAX shareholders on an entitlement date to be determined and announced later ("Proposed Share Exchange"); and (ii) the proposed assumption by the NewCo of the listing status of AAX and the admission of the NewCo to, and the withdrawal of AAX from, the Official List of Bursa Securities with the listing and quotation of the entire enlarged issued share capital of the NewCo on the Main Market of Bursa Securities ("Proposed Transfer of Listing Status"), (collectively, the "Proposed Internal Reorganisation")

No.	Date	Announcement (with reference to the graph above)
		AAX has also entered into 2 separate conditional share sale and purchase agreements with Capital A: (i) share sale and purchase agreement dated 25 April 2024 for the proposed acquisition by the NewCo of 100% equity interest in AAAGL held by Capital A for a purchase consideration of RM3,000.00 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 new NewCo shares at an issue price of RM1.30; and (ii) share sale and purchase agreement dated 25 April 2024 for the proposed acquisition by the NewCo of 100% equity interest in AAB held by Capital A for a purchase consideration of RM3,800.00 million to be satisfied entirely via the assumption by the NewCo of amount owing by Capital A to AAB. Furthermore, AAX proposed to undertake the following proposals: (i) proposed issuance by the NewCo of up to 223,536,402 free warrants in the NewCo on the basis of 1 warrant for every 2 NewCo shares held by the NewCo shareholders after the completion of the Proposed Internal Reorganisation on an entitlement date to be determined and announced later; (ii) proposed private placement of new NewCo Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.00 million; (iii) proposed reduction of the issued share capital of the NewCo to RM100.00 million by cancelling paid-up share capital which is lost or unrepresented by available assets pursuant to Section 116 of the Act; and (iv) In addition to the proposals above, AAX proposes to grant to Garynma the rights to subscribe for such number of NewCo shares representing, in aggregate, 15% of the total enlarged issued shares in the NewCo immediately after the completion of the Proposed Acquisitions via 3 subscription options of 5% each.
(o)	30 April 2024	Annual Report for the FYE 31 December 2023.
(p)	27 May 2024	Unaudited quarterly financial results for the 3-month FPE 31 March 2024.

No.	Date	Announcement (with reference to the graph above)
(q)	25 June 2024	Bursa Securities has resolved to approve AAX's application for an extension of time from 24 June 2024 to 31 July 2024 for the submission in relation to AAX's Proposals and Proposed Post-Completion Options to Bursa Securities.
(r)	26 July 2024	The Board of AAX had on 26 July 2024 decided to abort the Proposed Internal Reorganisation and to undertake AAX's Proposals (excluding the Proposed Internal Reorganisation) and Proposed Post-Completion Options under AAX instead of AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn Bhd) ("**NewCo**") as initially proposed in the announcement dated 25 April 2024. In addition, on 26 July 2024, AAX, NewCo and Capital A had entered into the AAAGL Supplemental SSPA and the AAB Supplemental SSPA (collectively, "**Supplemental Agreements**"). Pursuant to the Supplemental Agreements, AAX has assumed the rights, benefits, titles, interests, obligations and liabilities of the NewCo to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively. In respect of the Proposed Post-Completion Options, upon further deliberation between AAX and Garynma, both parties have agreed to reduce the Options from 15% in aggregate as initially announced in the announcement dated 25 April 2024 to 12% of the total enlarged issued shares in AAX immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) via 3 Subscription Options of 4% each. The other terms of the Proposed Post-Completion Options remain unchanged. Following thereto, AAX and Garynma executed a conditional subscription option agreement for the Proposed Post-Completion Options.
(s)	1 August 2024	AAX announce that the listing application in relation to AAX's Proposed Corporate Exercises and Proposed Post-Completion Options has been submitted to Bursa Securities on 31 July 2024.
(t)	28 August 2024	Unaudited quarterly financial results for the 6-month FPE 30 June 2024.

10.3.2 VWAP analysis of AAX Shares

We have compared the Issue Price against the historical closing market prices and respective VWAP of the Shares as follows:

	Last traded prices / VWAP	Premium / (Discount) of the Issue Price over the last traded prices / VWAP	
	RM	RM	%
Up to the Announcement LPD:			
Last traded price as at the Announcement LPD	1.30	-	-
5-day VWAP	1.30	-	-
1-month VWAP	1.35	(0.05)	(3.70)
3-month VWAP	1.53	(0.23)	(15.03)
6-month VWAP	1.84	(0.54)	(29.35)
12-month VWAP	1.98	(0.68)	(34.34)
Up to the LTD:			
Last traded price as at the LTD	1.24	0.06	4.84
5-day VWAP	1.21	0.09	7.44
1-month VWAP	1.28	0.02	1.56
3-month VWAP	1.47	(0.17)	(11.56)
6-month VWAP	1.78	(0.48)	(26.97)
12-month VWAP	1.98	(0.68)	(34.34)
Up to the LPD:			
Last traded price as at the LPD	1.31	(0.01)	(0.76)
5-day VWAP	1.32	(0.02)	(1.52)

(Source: Bloomberg)

Based on the table above, we noted that the Issue Price represents:

(i) a discount ranging from RM0.05 to RM0.68 (3.70% to 34.34%) to the last transacted price of AAX Shares as at the Announcement LPD and the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month VWAP up to the Announcement LPD;

(ii) a premium of RM0.02 to RM0.09 (1.56% to 7.44%) to the last transacted price of AAX Shares as at the LTD and the five (5)-day and one (1)-month VWAP up to the LTD and a discount ranging from RM0.17 to RM0.68 (11.56% to 34.34%) over the three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LTD; and

(iii) a discount of RM0.01 (0.76%) to the last transacted price of AAX Shares as at the LPD and a discount of RM0.02 (1.52%) over the five (5)-day VWAP up to the LPD.

Although the Issue Price represents a premium to the last transacted price of AAX Shares as at the LTD and the five (5)-day and one (1)-month VWAP up to the LTD, it should be noted that this was mainly due to a sudden downward trading of AAX Shares for a period of 7 days leading up to the LTD. However subsequent thereto, AAX Shares had been trading on an increasing trend reaching a high of RM1.65 on 28 May 2024. Further, upon accounting for a longer time period, we noted that the Issue Price is at a discount over the three (3)-month, six (6)-month and twelve (12)-month VWAP up to the LTD.

Where the Issue Price is at a discount to the market prices of AAX Shares, it would be relatively more advantageous for the non-interested shareholders of Capital A as a higher number of Consideration Shares will be issued to fulfill the AAAGL Disposal Consideration and thus, increasing the number of AAX Shares to be held by the non-interested shareholders of Capital A pursuant to the Proposed Distribution.

Premised on the above, we are of the view that the Issue Price which is based on the 5-day VWAP of AAX Shares up to 15 April 2024, being the latest practicable date prior to the Announcement is justifiable.

Premised on the above, we are of the view that the Issue Price of the Consideration Shares, part of which will be allotted and issued directly to shareholders of Capital A pursuant to the Proposed Distribution, is fair and not detrimental to the non-interested shareholders of Capital A.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

11. SALIENT TERMS OF THE SSPAS

Our comments on the salient terms of the AAAGL SSPA and AAB SSPA as amended by the AAAGL Supplemental SSPA, AAAGL Second Supplemental SSPA, AAB Supplemental SSPA and the AAB Second Supplemental SSPA respectively, which are extracted from Appendix IV and Appendix V of the Circular, are as follows:

11.1 Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
1. Sale and purchase *On and subject to the terms of the AAAGL SSPA, our Company agrees to sell, and AAX agrees to purchase the entire AAAGL Equity Interest (including any forms of capital contribution and any unissued capital).* *The AAAGL Equity Interest shall be sold by our Company free from encumbrances and together with all rights and advantages attaching to them as at AAAGL Completion (including the right to receive all dividends and distributions declared, made or paid on or after AAAGL Completion).*	The term is reasonable as it stipulates that the sale of AAAGL is free from any encumbrances and together with all rights attached.
2. AAAGL Disposal Consideration *The consideration for the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall be RM3,000,000,000 which is to be satisfied fully by the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 per Consideration Share.* *The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing AAX Shares, save and except that the holder of the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders of AAX, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.*	The term is reasonable as it stipulates the number of Consideration Shares to be issued and the Issue Price in the AAAGL SSPA. Please refer to Section 10.1 of this IAL for our evaluation of the AAAGL Disposal Consideration.
3. AAAGL SSPA Conditions Precedent *3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAAGL SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAAGL Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAAGL Conditions Precedent**"):*	The term is reasonable as it sets out the procedures and the necessary approvals and procedures which are customary to facilitate the completion of the Proposed AAAGL Disposal.

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed Distribution and the Proposed AAAGL Disposal; *(ii) the approval of the non-interested holders of the RCUIDS issued by our Company being obtained for the Proposed Distribution and the Proposed AAAGL Disposal;* *(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAAGL Group ("**AAAGL Target Entity**") for the Proposed Pre-Completion Restructuring, the Proposed Distribution and the Proposed AAAGL Disposal as set out below:-* *(a) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not applicable to the Proposed AAAGL Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not infringed if the Proposed AAAGL Disposal is carried into effect;* *Note:* *(1) Section 54(1) of the MAVCOM Act and/or Section 36T(1) of the CAAM Act (as the case may be) provides that mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.* *(b) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;*	We noted that in the event the AAAGL Conditions Precedent are not satisfied or waived on the AAAGL Cut-Off Date, both party may opt to extend the Cut-Off Date by mutual agreement or termination of the SSPA. We are also of the view that the AAAGL Cut-Off Date to satisfy all the conditions stipulated are reasonable as it provides a reasonable timeframe with an automatic extension period or such mutually agreed date, for both parties to procure the relevant requisite approvals and to be in compliance with the applicable laws and regulatory requirements.

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(c) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group; *(d) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group; and* *(e) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;* *(f) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAAGL Target Entities) in favour of lenders/financiers of the AAAGL Target Entities shall be obtained before the AAAGL Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;* *(iv) the completion of the Proposed Pre-Completion Restructuring;* *(v) the sanction of the High Court of Malaya being obtained for the capital reduction pursuant to the Proposed Distribution;* *(vi) the AAAGL Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding the AAAGL Completion Date;* *Note:* *(1) Together with the conditions precedent in the AAAGL SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX; *(viii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAAGL Disposal;* *(ix) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAAGL Disposal as set out below:-* *(a) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not applicable to the Proposed AAAGL Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)(1) is not infringed if the Proposed AAAGL Disposal is carried into effect;* *(b) Takeover Panel of Securities and Exchange Commission, Thailand in respect of the proposed exemption under the applicable takeover rules in Thailand to be sought by AAX from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by AAX on completion of the Proposed AAAGL Disposal;*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(c) Bursa Securities for (1) the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities and (2) the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise (as defined below) on the Main Market of Bursa Securities; and *(d) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;* *(x) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's private placement exercise ("**Proposed Pre-Completion Private Placement Exercise**").* *"**AAAGL Cut-Off Date**" means –* *(i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above); and* *(ii) for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above, 60 days after the date of the AAAGL SSPA with an automatic extension for a further period of 60 days,* *or such other date as mutually agreed between our Company and AAX in writing.* *3.2 If the AAAGL Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAAGL Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAAGL Cut-Off Date or failing agreement to extend, the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
3.3 *Between the date of the AAAGL SSPA and the AAAGL Completion Date, except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAAGL Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to AAAGL Completion with our Company's interest in the AAAGL Equity Interest intact.* *"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAAGL Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("**Options**"), PROVIDED THAT, the terms of such Options are as follows:-* *(i) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAAGL Completion Date (being the date of grant of the Options);* *(ii) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and* *(iii) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.*	

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
4. Completion of the Proposed AAAGL Disposal *4.1 Completion of the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall take place 1 month following the date on or by which all AAAGL Conditions Precedent have been satisfied, fulfilled and/or waived, other than those AAAGL Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.* *4.2 At AAAGL Completion, our Company shall deliver or make available to AAX the following:* *(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;* *(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAAGL Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;* *(iii) the written resignations of each of the directors of the AAAGL Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAAGL Completion Date) from his office as a director to take effect on the date of AAAGL Completion, with acknowledgements signed by each of them;* *(iv) certified true copies of the resolutions passed by AAAGL's board of directors;* *(v) the statutory books and records of AAAGL and each of the other AAAGL Target Entities, complete and up-to-date and all other records and documents of AAAGL and each of the other AAAGL Target Entities, including but not limited to the original share certificates for shares in the AAAGL Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAAGL Target Entities;*	 The term is reasonable as it serves to protect the interest of both Company and Purchaser by providing an avenue for both parties to consummate the transaction so far as practicable, extend the completion or to terminate the AAAGL SSPA.

Salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
(vi) all assets, machinery, office and other equipment and all other chattels of AAAGL and each of the other AAAGL Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities; *(vii) all financial and accounting records of AAAGL and each of the other AAAGL Target Entities in the possession of the AAAGL Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAAGL Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities;* *(viii) all documents of title, certificates and other documents evidencing title to the assets of AAAGL and each of the other AAAGL Target Entities capable of being delivered, including the original share certificates for each of the AAAGL Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities; and* *(ix) all other papers and documents relating to the AAAGL Target Entities which are in the possession of or under control of our Company.* *4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall:* *(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(viii) to (ix) above; and* *(ii) allot and issue the Consideration Shares and take all necessary steps to issue (and procure its share registrar to issue) the relevant share certificates under a single jumbo certificate for the Consideration Shares to Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") and procure Bursa Depository to credit the Consideration Shares into the Central Depository System accounts of: (i) the entitled shareholders of our Company for the implementation of the Proposed Distribution; and (ii) insofar as that there are any balance Consideration Shares that will not be allotted to any of the entitled shareholders of our Company pursuant to the Proposed Distribution, our Company.*	

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
4.4 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it): *(i) to effect the AAAGL Completion so far as practicable having regard to the defaults which have occurred; or* *(ii) to fix a new date for the AAAGL Completion not being later than 1 month after the intended AAAGL Completion Date, but on the basis that such deferral may only occur once; or* *(iii) to terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA and save in respect of rights arising out of any antecedent breach of the AAAGL SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAAGL Equity Interest intact.* *4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAAGL SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAAGL SSPA) or to claim damages for the breach of the other party.*	
5. Right to claim for breach of warranties *Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAAGL Completion. In the event the AAAGL Completion does not occur and the AAAGL SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAAGL SSPA.* *Nevertheless, the non-defaulting party has the right to terminate the AAAGL SSPA at any time prior to AAAGL Completion in any of the following events:* *(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or*	The term is reasonable as it sets out the conditions to be fulfilled for the non-defaulting party to exercise its right to be able to claim for breach. In addition, the term serves to safeguard the interest of the non-defaulting party by providing the right to terminate the SSPA at any time prior to the completion of the transaction, in the event that the breach stipulated under the terms materialised after the signing of the AAAGL SSPA.

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or *(iii) a Material Adverse Change(1) has occurred; or* *(iv) any other breach on the part of the defaulting party of the terms of the AAAGL SSPA occurring.* *<u>Note:</u>* *(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAAGL Target Entities or AAX and its subsidiaries ("**Purchaser Group**") (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-* *(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);* *(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAAGL Target Entities or the Purchaser Group (as the case may be);* *(iii) any occurrence, condition, change, event or effect resulting from or relating to:-* *(a) the announcement or pendency of the proposed sale and/or purchase of the AAAGL Equity Interest (whichever applicable);* *(b) compliance by any of our Company or AAX with the terms of the AAAGL SSPA; and* *(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and* *(iv) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAAGL Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.*	

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	PIVB's comments
6. Indemnities	
Our Company shall not be liable in respect of a specific indemnity claim in the AAAGL SSPA (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Target Entities' business prior to completion of the Proposed AAAGL Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAAGL Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such thresholds, our Company shall be liable for the whole amount and not merely the excess over the thresholds. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAAGL Completion. *Our Company will indemnify AAX and hold AAX and AAAGL Target Entities harmless against:* *(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAAGL Target Entities after AAAGL Completion) in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;* *(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAAGL Target Entities before AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;* *(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAAGL Target Entities in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date;* *(iv) any amount recovered against the AAAGL Target Entities in respect of the taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date; and* *(v) any costs reasonably incurred by the AAAGL Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and Purchaser for the amount of indemnity claim. We noted that the Seller shall not be liable if the Special Indemnity Claim does not exceed RM5.00 million and Special Claim does not exceed RM65.00 million. Further, the Seller shall be liable for the whole amount and not the excess of the threshold for the respective claim should the amount exceed such threshold.

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
7. Limitation of liability	
*7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAAGL SSPA.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and the Purchaser in respect of any claim arising from the breach of warranties.
*7.2 **Time limitation**: Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-* *(i) in the case of any Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;* *(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA), within 6 years following AAAGL Completion; or* *(iii) in the case of any other Claim, within 24 months following AAAGL Completion.*	We noted that the limitation of the liability threshold does not apply, in the event that the claim occurred as a result of fraud or wilful concealment by a party.
*7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix IV, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAAGL Disposal Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.*	
*7.4 **Aggregate minimum claims**: Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix IV) unless and until the aggregate amount of all such Claims exceeds 1% of the AAAGL Disposal Consideration (i.e. RM30,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.* *Note:-* *(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.*	

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
7.5 ***Maximum liability****: The aggregate liability of each of our Company and AAX in respect of all Claims under the AAAGL SSPA shall not exceed:-* *(i) 100% of the AAAGL Disposal Consideration (i.e. RM3,000,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and* *(ii) 25% of the AAAGL Disposal Consideration (i.e. RM750,000,000)(1) in the case of any other Claim.* *Note:-* *(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.* *7.6 None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.*	
8. Non-competition and protective covenants *Our Company undertakes that it will not, and will procure that our Group will not, during the Prohibited Period (as defined below):-* *(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity in any trade, business or occupation, or in any manner take part in or lend its name, counsel or assistance to any person in any capacity whatsoever, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);* *(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Target Entities; and* *(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,*	The term is reasonable as well as a common term for transactions of similar nature and is appropriate to ensure the Company will not compete with AirAsia Group after the completion of the Proposed AAAGL Disposal.

Salient terms of the AAAGL SPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA	**PIVB's comments**
PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAAGL Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAAGL SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAAGL Target Entities) are the AAB Group. *"**Prohibited Business**" means the current aviation business operations of AAX and the AAAGL Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAAGL Target Entities.* *"**Prohibited Period**" means the period commencing on the AAAGL Completion Date and ending on the date falling five (5) years after the AAAGL Completion.*	

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

11.2 Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
1. Sale and purchase *On and subject to the terms of the AAB SSPA, our Company agrees to sell, and AAX agrees to purchase the entire AAB Equity Interest (including any forms of capital contribution and any unissued capital).* *The AAB Equity Interest shall be sold by our Company free from encumbrances (save as disclosed in our Company's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at AAB Completion (including the right to receive all dividends and distributions declared, made or paid on or after AAB Completion).* *Note:-* *(1) Our Company's disclosure letter dated 25 April 2024 provides that one of the terms of the Revenue Bond requires AAX to charge 49% of the ordinary shares of AAB held by AAX upon AAB Completion to secure the proceeds received from the Revenue Bond.*	The term is reasonable as it stipulates that the sale of AAB is free from any encumbrances and together with all rights attached.
2. AAB Disposal Consideration *The consideration for the sale and purchase of the AAB Equity Interest under the AAB SSPA shall be RM3,800,000,000 which is to be satisfied by AAX's assumption of our Company's debt due to AAB of RM3,800,000,000 on the AAB Completion Date.* *The debt assumption by AAX shall result in the following occurring simultaneously:* *(i) AAB fully releasing our Company from the liability for the payment of the amount owing from our Company to AAB; and* *(ii) AAX fully assuming the liability for the payment of the amount owing from our Company to AAB,* *by way of the issue of a promissory note from AAX to AAB, which will substitute and cancel the existing promissory note issued by our Company to AAB.*	The term is reasonable as it sets out the terms for the settlement of the Purchase Consideration, which were mutually agreed by both parties. Please refer to Section 10.2 of this IAL for our evaluation of the AAB Disposal Consideration.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
3. AAB SSPA Conditions Precedent	
*3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAB SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAB Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAB Conditions Precedent**"):-* *(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;* *(ii) the approval of the non-interested holders of the RCUIDS being obtained for the Proposed AAB Disposal;* *(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAB Group ("**AAB Target Entity**") for the Proposed Pre-Completion Restructuring and the Proposed AAB Disposal as set out below:-* *(a) MAVCOM with regards to the proposed change in shareholding of AAB;* *(b) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;*	The term is reasonable as it sets out the procedures and the necessary approvals and procedures which are customary to facilitate the completion of the Proposed AAB Disposal. We noted that in the event the AAB Conditions Precedent are not satisfied or waived on the AAB Cut-Off Date, both party may opt to extend the Cut-Off Date by mutual agreement or termination of the AAB SSPA. We are also of the view that the AAB Cut-Off Date to satisfy all the conditions stipulated is reasonable as it provides a reasonable timeframe with an automatic extension period or such mutually agreed date, for both parties to procure the relevant requisite approvals and to be in compliance with the applicable laws and regulatory requirements.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(c) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation; *(d) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;* *(e) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group;* *(f) notification to third parties and financiers/ lenders in respect of certain operational agreements entered into by the Capital A Group and banking facilities granted to the Capital A Group; and* *(g) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;* *(h) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAB Target Entities) in favour of lenders/financiers of the AAB Target Entities shall be obtained before the AAB Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;* *(iv) the completion of the Proposed Pre-Completion Restructuring;* *(v) the AAB Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000(1) during the 3-month period immediately preceding AAB Completion Date;* *<u>Note:-</u>* *(1) Together with the conditions precedent in the AAB SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX; *(vii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;* *(viii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAB Disposal as set out below:* *(a) Either:* *(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or* *(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;* *(b) Bursa Securities for the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise on the Main Market of Bursa Securities; and* *(c) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
(ix) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's Proposed Pre-Completion Private Placement Exercise. *"**AAB Cut-Off Date**" means-* *(i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for the AAB Condition Precedent referred to in paragraph 3.1(vi) above); and* *(ii) for the AAB Condition Precedent referred to in paragraph 3.1(vi) above, 60 days after the date of the AAB SSPA with an automatic extension for a further period of 60 days,* *or such other date as mutually agreed between our Company and AAX in writing.* *3.2 If the AAB Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAB Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAB Cut-Off Date or failing agreement to extend, the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAB SSPA.*	

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
3.3 *Between the date of the AAB SSPA and the AAB Completion Date, and except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAB Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to AAB Completion with our Company's interest in the AAB Equity Interest intact.* *"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAB Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("Options"), PROVIDED THAT, the terms of such Options are as follows:-* *(i) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAB Completion Date (being the date of grant of the Options);* *(ii) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and* *(iii) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
4. Completion of the Proposed AAB Disposal	
4.1 Completion of the sale and purchase of the AAB Equity Interest under the AAB SSPA shall take place 1 month following the date on or by which all AAB Conditions Precedent have been satisfied, fulfilled and/or waived other than those AAB Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.	The term is reasonable as it serves to protect the interest of both Company and the Purchaser by providing an avenue for both parties to consummate the transaction so far as practicable, extend the completion date or to terminate the AAB SSPA.
4.2 At AAB Completion, our Company shall deliver or make available to AAX the following: *(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;* *(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAB Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;* *(iii) the written resignations of each of the directors of the AAB Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAB Completion Date) from his office as a director to take effect on the date of AAB Completion, with acknowledgements signed by each of them;* *(iv) certified true copies of the promissory note executed by our Company in favour of AAB and the written release of such promissory note executed by AAB in favour of our Company;* *(v) certified true copies of the resolutions passed by AAB's board of directors;*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(vi) the statutory books and records of AAB and each of the other AAB Target Entities, complete and up-to-date and all other records and documents of AAB and each of the other AAB Target Entities, including but not limited to the original share certificates for shares in the AAB Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAB Target Entities; *(vii) all assets, machinery, office and other equipment and all other chattels of AAB and each of the other AAB Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;* *(viii) all financial and accounting records of AAB and each of the other AAB Target Entities in the possession of the AAB Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAB Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;* *(ix) all documents of title, certificates and other documents evidencing title to the assets of AAB and each of the other AAB Target Entities capable of being delivered, including the original share certificates for each of the AAB Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities; and* *(x) all other papers and documents relating to the AAB Target Entities which are in the possession of or under control of our Company.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall: *(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(vii) to (viii) above; and* *(ii) deliver to our Company a certified true copy of the promissory note executed by AAX in favour of AAB.* *4.4 If any provision of the completion clause under the AAB SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-* *(i) to effect the AAB Completion so far as practicable having regard to the defaults which have occurred; or* *(ii) to fix a new date for the AAB Completion not being later than 1 month after the intended AAB Completion Date, but on the basis that such deferral may only occur once; or* *(iii) to terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA and save in respect of rights arising out of any antecedent breach of the AAB SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAB Equity Interest intact.* *4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAB SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAB SSPA) or to claim damages for the breach of the other party.*	

<table>
<tr><th>Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA</th><th>PIVB's comments</th></tr>
<tr><td>

5. Right to claim for breach of warranties

Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAB Completion. In the event the AAB Completion does not occur and the AAB SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAB SSPA.

Nevertheless, the non-defaulting party has the right to terminate the AAB SSPA at any time prior to AAB Completion in any of the following events:

(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or

(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or

(iii) a Material Adverse Change[(1)] has occurred; or

(iv) any other breach on the part of the defaulting party of the terms of the AAB SSPA occurring.

Note:

*(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAB Target Entities or the Purchaser Group (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-*

(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);

(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAB Target Entities or the Purchaser Group (as the case may be);

</td><td>

The term is reasonable as it sets out the conditions to be fulfilled for the non-defaulting party to be able to exercise its right to claim for breach.

In addition, the term serves to safeguard the interest of the non-defaulting party by providing the right to terminate the SSPA at any time prior to the completion of the transaction, in the event that the breach stipulated under the terms materialised after the signing of the AAB SSPA.

</td></tr>
</table>

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
(iii) any occurrence, condition, change, event or effect resulting from or relating to:- *(a) the announcement or pendency of the proposed sale and/or purchase of the AAB Equity Interest (whichever applicable);* *(b) compliance by any party with the terms of the AAB SSPA; and* *(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and* *(iv) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAB Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.*	

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
6. Indemnities *Our Company shall not be liable in respect of a specific indemnity claim in the AAB SSPA (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Target Entities' business prior to completion of the Proposed AAB Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAB Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to (1) arbitration and litigation proceedings on shareholder disputes in relation to Big Pay Pte Ltd and (2) ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such threshold, our Company shall be liable for the whole amount and not merely the excess over the threshold. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAB Completion.* *Our Company will indemnify AAX and hold AAX and AAB Target Entities harmless against:* *(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAB Target Entities after AAB Completion) in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;* *(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAB Target Entities before AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;* *(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAB Target Entities in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date;* *(iv) any amount recovered against the AAB Target Entities in respect of the taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date; and* *(v) any costs reasonably incurred by the AAB Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and the Purchaser for the amount of indemnity claim. We noted that the Seller shall not be liable if the Special Indemnity Claim does not exceed RM5.00 million and Special Claim does not exceed RM65.00 million. Further, the Seller shall be liable for the whole amount and not the excess of the threshold for the respective claim should the amount exceed such threshold.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	**PIVB's comments**
7. Limitation of liability	
*7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAB SSPA.*	The term is reasonable as it sets out the mutually agreed threshold by both the Company and the Purchaser in respect of any claim arising from the breach of warranties.
*7.2 **Time limitation**: Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-* *(i) in the case of any Claim relating to tax matters, within the applicable limitation period stipulated under the relevant laws relating to taxation;* *(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA), within 6 years following AAB Completion; or* *(iii) in the case of any other Claim, within 24 months following AAB Completion.* *7.3 **Minimum claims**: Subject to the aggregate minimum claims in Section 7.4 of this Appendix V, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAB Disposal Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.*	We noted that the limitation of the liability threshold does not apply, in the event that the claim occurred as a result of fraud or wilful concealment by a party.

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
7.4 ***Aggregate minimum claims***: *Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix V) unless and until the aggregate amount of all such Claims exceeds 1% of the AAB Disposal Consideration (i.e. RM38,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.* *Note:-* *(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.* 7.5 ***Maximum liability***: *The aggregate liability of each of our Company and AAX in respect of all Claims under the AAB SSPA shall not exceed:-* *(i) 100% of the AAB Disposal Consideration (i.e. RM3,800,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA); and* *(ii) 25% of the AAB Disposal Consideration (i.e. RM950,000,000)[(1)] in the case of any other Claim.* *Note:-* *(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.* 7.6 *None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.*	

Salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA	PIVB's comments
8. Non-competition and protective covenants *Our Company undertakes that it will not, and will procure that our Group will not, during the Prohibited Period (as defined below):-* *(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);* *(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Target Entities; and* *(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,* *PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAB Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAB SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAB Target Entities) are the AAAGL Group.* *"**Prohibited Business**" means the current aviation business operations of AAX and the AAB Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAB Target Entities.* *"**Prohibited Period**" means the period commencing on the AAB Completion Date and ending on the date falling five (5) years after the AAB Completion.*	 The term is reasonable as well as a common term for transactions of a similar nature and is appropriate to ensure the Company will not compete with AAX after the completion of the Proposed AAB Disposal.

Premised on the above, we are of the opinion that the terms contained in the SSPAs are reasonable as far as the interests of Capital A are concerned and that the salient terms are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of Capital A.

12. EFFECTS OF THE PROPOSALS

In our evaluation, we have also considered the effects arising from the Proposals as set out in Section 10, Part A of the Circular.

12.1 Issued share capital and substantial shareholders' shareholdings

We noted that the Proposals will not involve any issuance of new Shares. Therefore, the Proposals will not have any effect on the substantial shareholders' shareholdings of the Company.

Based on the illustrative price of RM1.32, being the 5-day VWAP of AAX Shares of up to and including the LPD, the Proposed Distribution will result in the reduction of the issued share capital of the Company as at the LPD of RM8.77 billion to RM6.54 billion, under the Minimum Scenario. Under the Maximum Scenario, the issued share capital of the Company will be reduced to RM7.85 billion, assuming the full exercise of the RCUIDS and Warrants prior to the Entitlement Date.

12.2 NA per share and net gearing

Based on Section 10.2, Part A of the Circular, the pro forma effects of the Proposals on the NA per Share and gearing of the Group based on the latest audited consolidated statements of financial position of the Company as at 31 December 2023, are as follows:

<u>**Minimum Scenario**</u>

		(I)	**(II)**
	Audited as at 31 December 2023	**After the Proposed AAAGL Disposal and Proposed Distribution**	**After (I) and the Proposed AAB Disposal**
	RM million	**RM million**	**RM million**
Shareholder's equity / NA (RM million)	(8,762.1)	(7,025.5)	649.4
Number of ordinary shares in issue (million)	4,254.58	4,254.58	4,254.58
NA per share (RM)	(2.06)	(1.65)	0.15
Total borrowings (RM million)	24,180	17,784	1,734
Gearing ratio (times)	N/A*	N/A	2.67

Note:

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

Maximum Scenario

	Audited as at 31 December 2023	(I) Assuming all the outstanding RCUIDS and Warrants are exercised	(II) After (I) and the Proposed AAAGL Disposal and Proposed Distribution	(III) After (II) and the Proposed AAB Disposal
	RM million	RM million	RM million	RM million
Shareholder's equity / NA (RM million)	(8,762.1)	(7,413.0)	(5,676.4)	1,998.5
Number of ordinary shares in issue (million)	4,254.58	5,847.08	5,847.08	5,847.08
NA per share (RM)	(2.06)	(1.27)	(0.97)	0.34
Total borrowings (RM million)	24,180	24,180	17,784	1,734
Gearing ratio (times)	N/A*	N/A*	N/A	0.87

Note:

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

Kindly refer to Section 10.2, Part A of the Circular for further details on the pro forma effects of the Proposals on the NA per Share and gearing of the Group.

12.3 EPS

Based on the audited consolidated financial statements of the Group for the FYE 31 December 2023, the pro forma PATAMI (assuming that the Proposals had been effected at the beginning of the FYE 31 December 2023) will increase from RM336.8 million to RM13,851.4 million under the Minimum Scenario and Maximum Scenario. The pro forma basic EPS will also increase from RM0.08 to RM3.31 under the Minimum Scenario and RM2.40 under the Maximum Scenario.

12.4 Convertible Securities

We noted that, save for the following, the Company does not have any other convertible securities in issue as at the LPD:

12.4.1 RCUIDS

We noted that there are 890,503,338 RCUIDS which remain in issue as at the LPD and are convertible into new Shares at a conversion price of RM0.75. The Proposed Distribution may result in an adjustment to the conversion price and we noted that such adjustments will be made in accordance with the relevant provisions of the RCUIDS Trust Deed to ensure the interest of RCUIDS holders will not be prejudiced as a result of the Proposed Distribution.

For illustrative purposes, based on the total number of 1,692,307,692 Distribution Shares and fair value of RM1.32 per Distribution Share, we noted that the RCUIDS Conversion Price will be adjusted from RM0.75 to RM0.26 and the Conversion Ratio from 100 new Capital A Shares to 288 new Capital A Shares for every 100 RCUIDS.

12.4.2 Warrants

We noted that there are 649,670,148 Warrants which remain outstanding as at the LPD. The Proposed Distribution may result in an adjustment to the exercise price and we noted that such adjustments will be made in accordance with the relevant provisions of the Warrants Deed Poll to ensure the interest of the Warrants holders will not be prejudiced as a result of the Proposed Distribution.

For illustrative purposes, based on the total number of 1,692,307,692 Distribution Shares and the fair value of RM1.32 per Distribution Share, we noted that the Warrant Exercise Price will be adjusted from the existing Warrant Exercise Price of RM1.00 to RM0.34.

12.4.3 ESOS Options

We noted that there are 96,100,000 outstanding ESOS Options as at the LPD and there has been no Share Grant Award since the commencement of LTIS on 2 August 2021 up to and including the LPD.

Further, under the LTIS By-Laws, if there is any variation in the capital structure of the Company during the LTIS period, the number of Shares and/or the outstanding ESOS Options and/or the price at which the relevant grantees shall be entitled to subscribe for every new Share by exercising their outstanding ESOS Options may be adjusted by the LTIS Committee with the approval of the Board. In the event the LTIS Committee decides to make adjustments due to the implementation of the Proposed Distribution, any such adjustments shall be made in accordance with the relevant provisions of the terms and conditions of the LTIS.

Further, we noted that there is no specific formula for adjustment set out in the LTIS By-Laws for variation in the capital structure of the Company during the LTIS period. Nevertheless, solely for illustrative purposes only and based on the fair value of RM1.32 per Distribution Share, we noted that the ESOS Option Price will be adjusted from the existing ESOS Option Price of RM0.7425 to RM0.2524.

Based on the pro forma effects of the Proposals, we noted that upon completion of the Proposed Disposals, the Company would have a gearing ratio of 2.67 times and 0.87 times under the Minimum Scenario and Maximum Scenario, respectively. Nonetheless, the NA position of the Company would improve from NL per Share of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and RM0.34 under the Maximum Scenario.

Premised on the above, we are of the opinion that the pro forma effects of the Proposals are not detrimental to the interests of the non-interested shareholders of Capital A.

13. RISK FACTORS OF THE PROPOSALS

In Section 9, Part A of the Circular, we note that the Board had identified various risk factors which are by no means exhaustive, relating to the Proposals. The risk factors identified and summarised together with our views are as follows:

(i) Non-completion of the Proposals

We note that the Proposals are subject to the approvals required, as set out in Section 11, Part A of the Circular being obtained. In the event that any of the approvals are not obtained, the non-completion of the Proposals might result in all the potential benefits arising therefrom not being materialised.

Further, we note that the completion of the Proposed Disposals is conditional upon, amongst others, the fulfillment of the conditions precedent stipulated in the SSPAs within the stipulated timeframe. The non-fulfillment or non-waiver of the conditions precedent within the stipulated timeframe, may result in the SSPA being terminated or delayed and the potential benefits to be derived from the Proposed Disposals may not be realised in the event the Company and AAX do not agree to extend the timeframe.

We also note that the completion of the AAAGL SSPA and AAB SSPA are subject to AAX completing the AAX Proposed Private Placement. There can be no assurance that the Proposed Private Placement would be completed as the market price of AAX Shares may be influenced by among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions, and as such, the Proposal may not be completed.

Nevertheless, we note that the Group will take reasonable steps to ensure that all conditions precedents set out in the SSPAs, insofar as they are within the control of the Company, will be fulfilled or waived (as the case may be) within the stipulated timeframe and to complete the Proposals in a timely manner.

(ii) Contractual risk

We note that the Company has provided, and are subject to, certain representations, warranties and undertakings, in favour of AAX as set out in the SSPAs. In the event that the Company breaches any of such representations, warranties and undertakings, the Company may be subject to claims in accordance with the terms and conditions of the SSPAs. There can be no assurance that such claim will not materially impact the financial performance of the Group.

We also note that the SSPAs may be terminated at any time prior to the completion of the Proposed Disposals if any of the other party's warranties was untrue or inaccurate, any inconsistency with the warranties given, is discovered, an occurrence of a Material Adverse Charge, or any other breach on the part of either the Company or AAX of the terms of the SSPAs.

In this regard, the Group will ensure that every effort is made to comply with its obligations under the SSPAs in order to minimise the risk of any breach of such representations, warranties or undertakings stipulated in the SSPAs.

(iii) Capital market risk

We note that the market price of the Consideration Shares is subject to, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions. In addition, the performance of the Malaysian share market, where the AAX Shares are listed, is dependent on the economic and political conditions in Malaysia as well as external factors such as, among others, the performance of the world bourses and flows of foreign funds. As such, there is no assurance that the market price of the Consideration Shares will trade at or above RM1.30 per AAX Share after the completion of the Proposals.

Nevertheless, the Group will closely monitor the share price movement of the Company and will ensure taking the aforementioned external factors into account before corporate announcements and formulation of corporate strategies.

(iv) Lower gains arising from the Proposed AAAGL Disposal

We noted that the reduction in the effective ownership in AAAGL arising from the Proposed AAAGL Disposal would cause the Company's remaining investment in AAAGL to be measured at fair value as a result of the loss of control over AAAGL as a subsidiary.

Further, the Proposed Distribution to be undertaken by the Company in conjunction with the Proposed AAAGL Disposal will result in the Company holding AAX Shares. It should be noted that such AAX Shares is required to be remeasured based on its fair value on the actual AAAGL Completion Date (which is not known until a later date). In the event that the market price of AAX Shares falls below the Issue Price of RM1.30 on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal. On the other hand, if the market price of AAX Shares trades above RM1.30 on the AAAGL Completion Date, the net increase in value would contribute to an increased gain arising from the Proposed AAAGL Disposal.

Therefore, the gain arising from the Proposed AAAGL Disposal as at the actual AAAGL Completion Date could be materially different from that illustrated in the pro forma effect of the Proposals and they should not be taken to represent the final gain on disposal as at the actual AAAGL Completion Date. We noted from Section 9.4, Part A of Circular that, for the avoidance of doubt, there will not be any impairment of goodwill arising from the Proposed Disposals.

Nevertheless, we are of the view that the potential negative impact that would result from this risk would be mitigated, given the positive outlook of the aviation industry.

(v) Loss of contribution from AAAGL Group and AAB Group

We noted that the Company will no longer be able to consolidate the earnings or losses from AAAGL Group and AAB Group as a result of the completion of the Proposed Disposals. For the FYE 31 December 2023, the aviation arm of the Group had contributed approximately RM12.05 billion or 84.49% of the Group's revenue (before elimination adjustments) whereas the Retained Segments has contributed RM2.21 billion or the remaining 15.51% of the Group's revenue (before elimination adjustments). Therefore, the loss of contribution from both AAAGL and AAB Group would materially impact the revenue generated by the Company.

Nevertheless, we noted that the Company is expected to record a gain on remeasurement of remaining interest in AAAGL and gain on disposal of AAB and therefore expected to improve the shareholders' equity of the Group in the effort to regularise its financial condition. Pursuant to the completion of the Proposed Disposals, the Group will focus on aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business of the New Aviation Group, which will be a pure aviation business that offers both long and short haul routes under the AirAsia brand name, and we noted that the synergistic benefits from the ecosystem of the services offered under the AirAsia brand name are expected to contribute positively to the Retained Segments and financial performance of the Group.

(vi) Risk of AAX falling back into PN17 status

We noted that the Company is expected to retain 18.48% of the enlarged total number of issued shares of AAX post completion of the Proposals and AAX's Proposed Corporate Exercises.

Although AAX was uplifted of its PN17 status on 22 November 2023, there is no assurance that AAX will not be classified as PN17 again if it triggers any of the prescribed criteria under Paragraph 2.1 of PN17 of the Listing Requirements as a result of the Proposed Disposals.

Nevertheless, we are of the view that this risk could be mitigated given the positive outlook of the aviation industry and the expected synergistic benefits of housing all the airline under the "AirAsia" brand under one entity. Further, we also noted that AAX will be undertaking the AAX Proposed Private Placement which is expected to strengthen AAX's financial position. We also noted that one of the conditions precedent in the SSPAs requires that each of the AAAGL Group and AAB Group does not incur or record an aggregate loss exceeding RM50.00 million during the 3-month period immediately preceding the AAAGL Completion Date and AAB Completion Date respectively which would help to minimise the possibility of AAX falling back into PN17 company status.

(vii) Dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options

We noted that AAX is desirous to grant Garynma the AAX Subscription Options by way of the AAX Post-Completion Options. Should Garynma exercise the AAX Subscription Options, it would result in the dilution of the Company's shareholdings in AAX. The level of dilution of the Company's shareholdings in AAX would depend on the number of AAX Shares subscribed by Garynma under the AAX Proposed Post-Completion Options.

Further, we noted that pursuant to the completion of the Proposals and the AAX Proposals, which comprises of AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options, the Company is expected to retain 16.50% of the enlarged total number of issued shares of AAX post completion of the AAX Proposals, assuming 885.0 million AAX Placement Shares are issued at an issue price of RM1.13, and the full subscription of the AAX Proposed Post-Completion Options after the completion of the AAX Proposed Private Placement.

Nevertheless, we noted that the AAX Proposed Post-Completion Options would only potentially dilute the percentage of shareholdings of the Company and the Entitled Shareholders in AAX but not the number of AAX Shares held. Further, we also noted that the dilution in the shareholding will not have any material changes on the key senior management team in control as they will still carry on with their existing roles and responsibilities to ensure business continuity as usual.

We are of the view that the exercise price of the AAX Subscription Options is reasonable as it will be based on the market price of the AAX Shares as at the last trading day prior to the acceptance by Garynma of the Subscription Option during the period of 48 months from the date of granting of the Subscription Option. The share issuances, despite of the shareholding dilution as a result of Garynma's decision to exercise the AAX Subscription Options, would provide additional funding to AAX and strengthen its shareholder fund.

We are of the view that the risk factors are common for transaction of such nature, especially when the consideration is satisfied via listed company's shares. Further, given the positive outlook in the aviation industry as set out in Section 14 of this IAL, we believe that the potential negative impact, if any, arising from the risks could be minimised. Notwithstanding the loss of contribution from AAAGL and AAB, the Company is expected to record a gain on remeasurement of the remaining interest in AAAGL and gain on disposal of AAB upon completion of the Proposed Disposals, thus improving the financial position of the Group. In addition, given the positive outlook of the aviation industry, this would bode well for the Group moving forward which will focus on the aviation services, logistics, digital and brand management businesses that are essential and complementary to the passenger airlines business.

Nevertheless, we note that although measures will be taken by the Group to contain or mitigate the risks highlighted arising from the Proposals, no assurance can be given that the risks will not crystallise and give rise to material and adverse impact on the financial position and business of the Group as well as the investment in AAX held by Capital A and the Entitled Shareholders pursuant to the Proposed Distribution.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

14. INDUSTRY OUTLOOK AND PROSPECTS

14.1 Overview and prospects of the Malaysian Economy

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in electrical and electronics (E&E). The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

Growth in the second half of 2024 will be driven by domestic spending with continued strong support from external demand. On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production.

(Source: Economic and Financial Developments in the Malaysian Economy in the 2nd Quarter of 2024, Bank Negara Malaysia)

14.2 Overview and prospects of the aviation industry

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

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

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

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

Boeing forecasts Southeast Asia passenger air traffic to more than triple over the next 20 years, driven by above global average economic growth and a rising middle class. The region's airplane fleet is also projected to more than triple to 4,960 jets to meet the rising air travel demand, according to Boeing's 2024 Commercial Market Outlook ("**CMO**"), the company's long-term demand forecast for commercial airplanes and services.

Through 2043, passenger air traffic in Southeast Asia will grow 7.2% annually – well above the 4.7% average annual growth rate globally – according to the CMO.

"With Southeast Asia's economy forecast to have the second-highest growth rate among global regions, rising household incomes will bring new consumers into this aviation market, fueling growth for low cost and leisure business models," said David Schulte, managing director of Boeing Commercial Marketing for Northeast Asia, Southeast Asia and Oceania.

"Southeast Asia's growing fleet – especially single-aisle airplanes – will play an important role in further connecting the region's island geography and serving travel demand across the Asia-Pacific region, particularly routes to China and Northeast Asia," Schulte said.

Through 2043, Boeing also forecasts:

- Airlines in Southeast Asia will expand their share of the Asia-Pacific fleet from 17% to 25%.

- To meet long-haul demand, widebodies like the 787 Dreamliner will make up one in five deliveries in Southeast Asia.

- The region will need more than 120 new and converted freighters to support increasingly diversified global supply chains as well as growing e-commerce demand.

Southeast Asia operators will need to hire and train 234,000 new pilots, maintenance technicians and cabin crew – more than tripling the region's active personnel.

Southeast Asia's commercial aviation industry continues to focus on improving sustainability. Nearly 1,200 new, more fuel-efficient airplanes will replace aging jets in the region over the next 20 years. Also, as global aviation aims to achieve net-zero by 2050, this region's available bio-based feedstocks can supply approximately 12% of global sustainable aviation fuel ("**SAF**") demand, according to the Boeing-supported SAF feedstock assessment.

(Source: News release titled "Southeast Asia Air Traffic to More Than Triple through 2043", by Boeing published on 19 September 2024, website: https://boeing.mediaroom.com/news-releases-statements?item=131490)

Due to the stronger than anticipated passenger traffic performance, Malaysian Aviation Commission ("**MAVCOM**") has revised upwards its previous 2023 air passenger traffic forecast. Passenger growth is now expected to reach between 54% year-on-year to 58% year-on-year, translating to 84.5 million to 86.5 million passengers in 2023 (previous forecast: 74.6 million to 80.8 million). Looking ahead to 2024, MAVCOM anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting 10% year-on-year to 25% year-on-year growth. This forecast signifies a recovery of up to 98% of 2019 levels in 2024.

(Source: Malaysian Aviation Industry Outlook December 2023, MAVCOM)

14.3 Prospects of AAX

We note that as at the LPD, the AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and does not own any aircraft.

Upon completion of the Proposed Disposals, the New Aviation Group will house all the airline entities operating under the "AirAsia" brand to form the New Aviation Group. We note that such New Aviation Group will encompass short, medium and long-haul, low cost air transportation services. We also note that the New Aviation Group will continue to adopt a low-fare business model and will be led by seasoned key senior management. The New Aviation Group is expected to maintain a total fleet of 242 aircraft with 209 aircraft in operation by the completion of the Proposals expected in early 2025 of which 3 aircrafts are owned and the remaining aircraft are leased by the New Aviation Group.

The New Aviation Group will also be able to leverage on synergetic benefits from the AirAsia Ecosystem and capitalise on the anticipated increase in air passengers as disclosed in Section 14.2 of this IAL, via the following:

(i) the airlines within the New Aviation Group will focus on increasing their flight frequencies and expand their fleet of aircrafts to capture growing demand for air-travel;

(ii) capitalise on the growing prospects of the airline industry by increasing passenger volume, which will contribute to growth in its market share and maintain its market position; and

(iii) further growth in revenue from ancillary services to enhance the airlines' financial performance, through pricing optimization and automation, product innovation, marketing expansion, personalized marketing and strategic collaboration and partnership between the New Aviation Group and AirAsia Group to increase cross-selling opportunities.

Premised on the above, we note that the New Aviation Group is anticipated to gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand and secure continuous support services from the AirAsia Ecosystem.

14.4 Future plans and prospects of the Group

We note the prospects of the Group as disclosed in Section 7, Part A of the Circular, in which the Board intends to maintain the listing status of the Company and the Group's core businesses after the completion of the Proposed Disposals are principally in the following:

(i) Capital A Aviation Services;

(ii) Digital Businesses;

(iii) Logistics; and

(iv) Brand Management.

The description and future plans of the aforementioned businesses are as follows:

Businesses	Description	Future plans
Capital A Aviation Services	• Aviation MRO business ADE primarily provides engineering maintenance services, component and warehouse services, engineering support services as well as digital and innovation services which involves maintenance, provision of consumable parts and equipment, fleet and technical asset management for maintenance activities as well as online marketplace to facilitate the buying and selling of new and used aircraft parts. For the FYE 31 December 2023, ADE recorded an audited revenue of RM574.00 million and PAT of RM115.33 million.	• ADE plans to expand its Aviation MRO services to other countries in Southeast Asia • ADE is undertaking expansion of its hangar capacity in Kuala Lumpur International Airport ("**KLIA**")

Businesses	Description	Future plans
	• <u>In-flight catering business</u> Santan carries out inflight catering services as well as food services on the ground under operation and management of a café chain under the "Santan Café" trade name, and the preparation and sale of frozen and ready-to-eat food in convenience stores. For the FYE 31 December 2023, Santan has recorded an audited revenue of RM133.60 million and PAT of RM15.81 million.	• Santan is applying for an inflight license to serve third party airlines starting in Malaysia. While waiting for the license approval, Santan will be using its expertise to offer inflight services to bus and train operators • Santan also intends to expand its customer base for frozen and ready-to-eat food by targeting hotels and food and beverage service providers. In the long run, Santan aims to expand its customer base to achieve a volume advantage that would in turn drive down cost and improve operational efficiencies
Digital Businesses	• <u>AirAsia MOVE</u> AirAsia MOVE operates and manages an online travel agency focusing on selling flight tickets, hotels, airport transfer, duty free shopping and other travel related services. For the FYE 31 December 2023, AirAsia MOVE Group has recorded an unaudited revenue of RM668.90 million and PAT of RM58.11 million.	• AirAsia MOVE plans to intensify its marketing and personalisation efforts to promote the flight and hotel segments while prioritising strategic technological enhancements to elevate the overall customer experience and increase conversions • Actively securing preferential fare classes and exclusive airline and hotel partnerships to strengthen its competitive edge and drive market share growth
	• <u>BigPay</u> BigPay is principally involved in financial technology services. It offers digital financial services through the BigPay platform which comprises a mobile application, an e-wallet and a physical prepaid card. Its products and services are primarily payment services, remittance services, e-wallets and stashes, its Marketplace and lending services. For the FYE 31 December 2023, BigPay has recorded an unaudited revenue of RM46.01 million and LAT of RM106.92 million.	• BigPay Group has begun collaborating with AirAsia MOVE Group in October 2023 to, amongst others, embed BigPay's financial services features into the AirAsia MOVE Super App and encourage a higher proportion of payments to be done via BigPay • BigPay is focused on building (and nudging users towards) features with positive unit economics, which will subsequently increase its average revenue per user. By encouraging users to spend within the existing ecosystem through AirAsia MOVE and BigPay, users will be rewarded with points that can be redeemed for subsequent purchases

Businesses	Description	Future plans
Logistics	• Teleport Teleport is involved in the provision of airport-to-airport logistics services using AirAsia's network of passenger aircraft belly space and freighter aircraft as well as third-party airlines, customisable first-to-last mile cross-border delivery and cross-border door-to-door parcel delivery services carried out within the same day. Its customers are mainly global freight forwarders, courier companies, e-commerce marketplaces, retailers and other multinational and local conglomerates and companies exporting their products. For the FYE 31 December 2023, Teleport has recorded an audited revenue of RM744.72 million and LAT of RM3.13 million.	• Teleport plans to expand its business by leveraging on AirAsia's extensive air network, the capacity provided by its own recently inducted freighters as well as numerous strategic partnerships to achieve its aim of becoming a major integrated logistic solution provider and partner • Expand capacity, network reach and service offering through its ability to combine AirAsia's extensive air network with complimentary freighter and Air Partners capacity
Brand Management	• Brand AA Brand AA is the exclusive licensor of the AirAsia Brand and carries out intellectual property development, licensing and management business. Brand AA charges a royalty fee rate of 1% on all revenues (including fares and ancillary income) of the AOCs and TAAX whereas AAX pays a royalty fee of 0.5%. For the FYE 31 December 2023, Brand AA has recorded an audited revenue of RM44.69 million and PAT of RM12.20 million.	• Brand AA plans to leverage on the intellectual properties built within the Group to create new co-branding and business opportunities • Brand AA intends to strategically expand beyond the AirAsia Brand into the general retail landscape through brand partnerships, acquisition and merchandising

Premised on the above, we noted that the Proposed Disposals allow the Group to strategically diversify from being one of the major low-cost carrier in Southeast Asia into a diversified ecosystem of aviation, logistics and digital services which are essential and complementary to the passenger airlines business. This shift is designed to capture opportunities beyond traditional airline operations, directly responding to evolving consumer demands and technological advancements.

The Proposed Disposals are also expected to result in greater clarity of investment between the Company and AAX, which will be the pure aviation business consolidating both long and short haul routes under the AirAsia brand name.

In view of the outlook of the aviation industry in Malaysia as well as Southeast Asia as set out in Section 14.2 of this IAL and the positive outlook of the countries which the AOCs are operating in as set out in Section 8.2, Part A of the Circular, it augurs well for the Group and AAX to leverage on the anticipated increase in the number of air passengers in the world, via its respective distinct businesses.

Premised on the foregoing, in view of the positive outlook of the Malaysian economy as well as the aviation industry in Southeast Asia, prospects of AAX, future plans and prospects of the Group, we are of the view that the prospects of the Group is expected to be favourable upon completion of the Proposed Disposals.

15. ALTERNATIVE BIDS

As at the LPD, the Board has not received any alternative bids for the disposal of AAAGL and AAB.

We noted that the aviation business is an industry which requires specialised skills and designated licenses for operation. Such nature of the aviation business with high barrier of entry may cause the process of seeking for alternative bids for the entire equity interest in AAAGL and AAB to be time-consuming. We also noted that the Board had on 8 January 2024, announced that the Company had entered into a non-binding letter of offer with AAX for the Proposed Disposals and subsequently entered into the AAAGL SSPA and AAB SSPA on 25 April 2024.

In view of the above, the Proposed Disposals represent an opportunity for Capital A to realise the benefit as stipulated in Section 6, Part A of the Circular.

16. LISTING STATUS OF CAPITAL A

We noted that the Proposed Disposals are deemed as Major Disposal as the Proposed Disposals entail the disposal by the Company of its major business which may result in Capital A being no longer suitable for continued listing on the Official List of Bursa Securities. Pursuant to Paragraph 8.03A of the Listing Requirements, a listed corporation must maintain an adequate level of operations to warrant continued trading or listing on the Official List of Bursa Securities.

In addition to the aforementioned, the Company will be classified as an “Affected Listed Corporation” pursuant to Paragraph 8.03A(2) of the Listing Requirements, where a listed corporation may not have a level of operations that is adequate to warrant continued trading or listing on the Official List in the event of, amongst others, the following circumstances:

(a) it has disposed its major business, i.e., such proportion that contributes or generates 70% or more of the listed corporation's revenue on a consolidated basis based on its latest annual audited or unaudited financial statements; or

(b) it has an insignificant business or operations. i.e., its business or operations generate revenue on a consolidated basis representing 5% or less of the share capital (excluding any redeemable preference shares and treasury shares) of the listed corporation based on its latest annual audited or unaudited financial statements.

Based on the Group’s latest audited financial statements for the FYE 31 December 2023, 84.49% of the Group’s revenue were contributed by the aviation business. As such, the Proposed Disposals would result in the Company falling within the ambit of the aforementioned Paragraph 8.03A(2) of the Listing Requirements.

Pursuant to Paragraph 8.03A of the Listing Requirements, an “Affected Listed Corporation” is required to, amongst others, regularise its condition within 12 months failing which, Bursa Securities may suspend the trading of its shares or delist the listed corporation. We noted that Capital A is classified as a PN17 Issuer and as such would be required to undertake a regularisation plan in accordance to PN17 as well as Paragraph 8.03 of the Listing Requirements. Notwithstanding the 12 months period to regularise the Group’s condition pursuant to subparagraph 8.03A(3) of the Listing Requirements, we noted that the Company will adhere to the PN17 timeline to regularise the Group’s condition. Pursuant to subparagraph 8.04(3) of the Listing Requirements, the Company as a PN17 Issuer must, amongst others, regularise its condition within 12 months from the date it announces that it has been classified as a PN17 Issuer, submit a regularisation plan to Bursa Securities and obtain Bursa Securities’ approval to implement the plan. Nevertheless, we also noted that the Retained Segments had recorded a revenue of RM2,211.91 million and a PAT of RM91.40 million for FYE 31 December 2023.

The Company had on 19 August 2024 announced that Bursa Securities had granted the Company an extension of time up to 31 December 2024 to submit the regularisation plan to the regulatory authorities. We noted that the Company will make a requisite announcement on the regularisation plan upon its finalisation. The extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:

(i) the Company fails to submit the regularisation plan to the regulatory authorities on or before 31 December 2024;

(ii) the Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of the regularisation plan; or

(iii) the Company fails to implement the regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company on the 6th market day after the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

Further, we also noted that the Company is not expected to be classified as a Cash Company as a result of the Proposed Disposals. Pursuant to Paragraph 8.03 of the Listing Requirements, a Cash Company is defined as a listed issuer whose assets on a consolidated basis, consist of 70% or more of cash or short-term investments, or a combination of both.

Based on the Group’s latest audited financial statements for the FYE 31 December 2023 and upon the completion of the Proposed Disposals, the Group would have an expected cash and short-term investments amounted to RM313.29 million which represents approximately 10.16% of the Group’s expected total assets of RM3,082.32 million post the completion of the Proposals.

17. ADEQUACY OF FINANCIAL RESOURCES OF AAX

We noted that the total disposal consideration of RM6,800.0 million in relation to the Proposed Disposals will be satisfied in the following manner:

(i) the issuance of new AAX Shares at the Issue Price of RM1.30 per Consideration Share amounting to approximately RM3,000.0 million; and

(ii) Debt Settlement of approximately RM3,800.0 million.

Pursuant to the above, we noted that the Board is satisfied that AAX has sufficient financial resources to undertake the acquisition after taking into consideration the audited consolidated financial statements of AAX and the fact that no cash is being involved in the Proposed Disposals.

18. FURTHER INFORMATION

We advise you to refer to the enclosed appendices contained in the Circular for further information.

19. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals, taking into consideration the various factors set out in this IAL. In arriving at our conclusion and recommendation, we have considered and summarised the following pertinent factors, which the non-interested shareholders should consider when forming their views on the Proposals as follows:

Consideration factors	Our evaluation
Rationale and benefits of the Proposals	The Proposals would allow Capital A to achieve the following: (a) concentrate its resources and skills towards more specialised areas which are supplemental to the aviation business. Such streamlining is expected to result in higher efficiencies and reduced redundancies as the aviation business is consolidated under AAX; (b) greater clarity of investment between Capital A and AAX that allow the capital market and potential investors to better ascertain the potential as well as the prospects of each entity. This is expected to facilitate business-centric valuation and allow the Entitled Shareholders to benefit from the diversification of their investment portfolios based on their respective shareholdings in the Company and AAX upon completion of the Proposals; (c) enable the Company to exit from the aviation business and further strengthen its financial position with an expected pro forma gain to be realised post-completion of the Proposed Disposals; and (d) reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAX. Pursuant to the above, we are of the view that the sale of the aviation business and pro forma gain arising from the Proposed Disposals will contribute positively towards the regularisation of financial position for the Company. Further, the Company will also be able to continue to maintain their participation in the future prospects of the aviation industry via the shareholdings in AAX arising from the Proposed Distribution. Premised on the above, we are of the opinion that the rationale and benefits of the Proposals are fair and reasonable and are not detrimental to the interests of the non-interested shareholders.
Evaluation of the Proposals	• We are of the opinion that the AAAGL Disposal Consideration of RM3,000.0 million is fair as it is within the AAAGL's valuation range derived by PIVB of RM2,964.0 million to RM3,207.0 million and AAAGL's valuation range ascribed by DCAS of RM2,880.0 million to RM3,691.0 million. • We are of the view that the AAB Disposal Consideration of RM3,800.0 million is fair as it is within the AAB's valuation range derived by PIVB of RM3,762.0 million to RM4,215.0 million and AAB's valuation range ascribed by DCAS of RM3,721.0 million to RM4,602.0 million. • We are of the view that the method of settlement for the AAB Disposal Consideration is reasonable. • We are of the view that the Issue Price of the Consideration Shares, part of which will be allotted and issued directly to shareholders of Capital A pursuant to the Proposed Distribution, is fair and not detrimental to the non-interested shareholders of Capital A.

Consideration factors	Our evaluation
Evaluation of the salient terms of the SSPAs	We are of the opinion that the terms contained in the SSPAs are reasonable as far as the interests of Capital A are concerned and that the salient terms are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of Capital A.
Effects of the Proposals	• The Proposals will not involve any issuance of new Capital A Shares and therefore will not have any effect on the substantial shareholders' shareholdings of the Company. • The Group's NA per Share will increase from NL of RM2.06 to NA per Share of RM0.15 under the Minimum Scenario and NA per Share of RM0.34 under the Maximum Scenario. • The completion of the Proposals would result in a gearing ratio of 2.67 times and 0.87 times under the Minimum Scenario and Maximum Scenario, respectively • The pro forma EPS will increase from loss per Share of RM0.08 to EPS of RM3.31 under the Minimum Scenario and EPS of RM2.40 under the Maximum Scenario. Premised on the above, we are of the opinion that the pro forma effects of the Proposals are not detrimental to the interests of the non-interested shareholders of Capital A.
Risk factors of the Proposals	The risk factors of the Proposals identified are as follows: (a) non-completion of the Proposals; (b) contractual risk; (c) capital market risk; (d) lower gains arising from the Proposed AAAGL Disposal; (e) loss of contribution from AAAGL Group and AAB Group; (f) risk of AAX falling back into PN17 status; and (g) dilution of shareholdings in AAX pursuant to AAX Proposed Post-Completion Options. We are of the view that the risk factors are common for transaction of such nature, especially when the consideration is satisfied via listed company's shares. Further, given the positive outlook in the aviation industry, we believe that the potential negative impact, if any, arising from the risks could be minimised.
Industry outlook and prospects	In view of the positive outlook of the Malaysian economy as well as the aviation industry in Southeast Asia, prospects of AAX, future plans of the Group and prospects of the Group, we are of the view that the prospects of Group is expected to be favourable upon completion of the Proposed Disposals.

Consideration factors	Our evaluation
Alternative bids	As at the LPD, the Board has not received any alternative bids for the disposal of AAAGL and AAB.
Listing status of Capital A	• The Proposed Disposals are deemed as Major Disposal and the Company will be classified as an "Affected Listed Corporation" pursuant to Paragraph 8.03A(2) of the Listing Requirements post the completion of the Proposed Disposals. The Company is also classified as a PN17 Issuer. • The Company is required to, amongst others, regularise its condition within 12 months in accordance to PN17 as well as Paragraph 8.03 of the Listing Requirements, failing which, Bursa Securities may suspend the trading of its shares or delist the listed corporation. Nevertheless, we noted that the Retained Segments had recorded a revenue of RM2,211.91 million and a PAT of RM91.40 million for FYE 31 December 2023.
Adequacy of financial resources of AAX	We noted that the Board is satisfied that AAX has sufficient financial resources to undertake the acquisition after taking into consideration the audited consolidated financial statements of AAX and the fact that no cash is being involved in the Proposed Disposals.

Premised on our evaluation of the Proposals, we are of the view that the Proposals are ***fair*** and ***reasonable*** and ***not detrimental*** to the non-interested shareholders of Capital A.

Accordingly, we recommend that the non-interested shareholders ***vote in favour*** of the special resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
For and on behalf of
PUBLIC INVESTMENT BANK BERHAD

Lee Yo-Hunn
Chief Executive Officer

Rachel Ong Ly-Shil
Head
Corporate Finance & Advisory

INFORMATION ON AAX

1. HISTORY AND BUSINESS

AAX was incorporated on 19 May 2006 as a private limited company in Malaysia under the Companies Act 1965 and is deemed registered under the Act. It was incorporated under the name of Eden Hub Sdn Bhd. Its name was subsequently changed to Fly Asian Xpress Sdn Bhd on 1 June 2006 and to AirAsia X Sdn Bhd on 21 September 2007. It was then converted into a public company and assumed its present name on 9 October 2012. On 10 July 2013, it was listed on the Main Market of Bursa Securities.

The principal activity of AAX is the provision of long haul air transportation services while its subsidiaries are principally involved in the provision of aircraft leasing facilities and the provision of management logistical and marketing services. Its associate company, namely Thai AirAsia X Co., Ltd, is an operator of commercial air transport services based in Thailand which provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region. As at 31 December 2023, AAX serviced 22 destinations within its network including Australia, China, India, South Korea, Japan, Taiwan, Indonesia and Saudi Arabia.

Based on the audited consolidated financial statements of AAX for the FYE 31 December 2023, AAX Group derives 63.2% of their revenue domestically whereas the remaining 36.8% of their revenue is derived from Thailand.

As at the LPD, AAX Group maintains a fleet of 18 aircraft with 16 aircraft in operation. AAX Group leases their entire fleet of aircraft and do not own any aircraft.

There is no significant amount spent on research and development by AAX.

On 25 April 2024 and 26 July 2024, Interpac had, on behalf of the board of directors of AAX, announced AAX's corporate exercises as summarised below:

(a) Proposed Issuance of Warrants

The proposed issuance of up to 223,536,401 free warrants in AAX ("**AAX Warrants**") on the basis of 1 AAX Warrants for every 2 AAX Shares held by existing shareholders of AAX on an entitlement date to be determined by the board of directors of AAX ("**AAX Proposed Issuance of Warrants"**).

(b) AAX Proposed Private Placement

The proposed issuance of new AAX Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.0 million. The quantum of gross proceeds has been determined upfront while the issue price has not been determined in order to provide flexibility to the board of directors of AAX in respect of the pricing of the AAX Placement Shares. The actual number of AAX Shares to be issued will depend on the issue price of the AAX Placement Shares to be determined later.

The AAX Placement Shares will be issued based on a discount of not more than 15% to the 5-day VWAP of AAX Shares up to and including the last trading day prior to the price-fixing date of the AAX Placement Shares which is to be determined by the board of directors of AAX after taking into consideration the prevailing market conditions and in any event, the minimum issue price of the AAX Placement Shares shall be RM1.00 per AAX Placement Share. The proposed private placement by AAX may be implemented in 1 or multiple tranches and as such, there may be several price-fixing dates and placement issue prices.

(c) Proposed Acquisitions by AAX

The proposed acquisition by AAX of the AAAGL Equity Interest and AAB Equity Interest from our Company pursuant to the AAAGL SSPA and AAB SSPA ("**AAX Proposed Acquisitions**").

(d) Proposed Capital Reduction by AAX

Proposed capital reduction of the issued share capital of AAX to RM100.00 million pursuant to Section 116 of the Act to in order to fully eliminate AAX's accumulated losses as well as to have additional credit buffer which can be used to set off any future losses of AAX ("**AAX Proposed Capital Reduction**").

For reference, the AAX Proposed Issuance of Warrants, the AAX Proposed Private Placement, AAX Proposed Acquisitions and AAX Proposed Capital Reduction shall be referred to as **"AAX's Proposed Corporate Exercises**".

In addition to the AAX's Proposed Corporate Exercise, AAX also intends to undertake AAX Proposed Post-Completion Options as follows:

(i) AAX Proposed Post-Completion Options

Upon completion of the AAX's Proposed Corporate Exercises, the Board of AAX is desirous to grant Garynma the AAX Subscription Options to subscribe for such number of AAX Shares representing, in aggregate, 12% of the total enlarged issued share capital of AAX comprising of 3 AAX Subscription Options of 4% each pursuant to the AAX Proposed Post-Completion Options. The AAX Subscription Options when granted may be individually accepted in full or in part by Garynma ("**Acceptance of AAX Subscription Options**") at any point of time within 24 months from the granting of such AAX Subscription Options. Upon Acceptance of AAX Subscription Options, the AAX Subscription Option may be exercised in full or in part at any point of time for a period of 48 months from the date of granting of the AAX Subscription Option ("**AAX Subscription Options Period**") and shall lapse after the AAX Subscription Options Period. The issue price of AAX Shares pursuant to the exercise of such Subscription Option shall be the market price of AAX Shares as at the last trading day prior to the Acceptance of AAX Subscription Options. AAX will enter into an agreement with Garynma for the AAX Proposed Post-Completion Options upon receipt of its shareholders approval in its EGM to be held.

Garynma is a private limited company incorporated on 2 June 2021 in Singapore under the Singapore Companies Act 1967 and is principally involved in investment holding. Garynma is a wholly-owned subsidiary of Cosima Investments Pte Ltd which in turn is wholly-owned by Dato' Lim Kian Onn.

The actual number of AAX Shares to be issued pursuant to the AAX Proposed Post-Completion Options will depend on the total number of AAX Shares in issue after the completion of the AAX Proposed Acquisitions and Proposals and the number of AAX Shares subscribed by Garynma.

As highlighted in Section 9.7 of Part A of this Circular, the AAX Proposed Post-Completion Options is expected to result in the dilution of shareholdings of shareholders of AAX, including our Company and our Entitled Shareholders, as and when the AAX Subscription Options are exercised.

For reference, AAX's Proposed Corporate Exercises and the AAX Proposed Post-Completion Options shall be referred to as "**AAX Proposals**".

Further details on the AAX Proposals can be found in AAX's announcements dated 25 April 2024 and 26 July 2024 made on Bursa Securities' website.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAX is RM51,029,000 comprising 447,072,803 AAX Shares.

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of AAX and their respective direct shareholdings in AAX are set out below:

Substantial Shareholders	Country of Incorporation	No of AAX Shares	%
AAB	Malaysia	57,072,850	12.77
TGSB(1)	Malaysia	73,960,286	16.54

Notes:

(1) As at the LPD, the directors and major shareholders of TGSB and their respective shareholdings in TGSB are set out below:

			Direct		Indirect	
Directors	**Nationality**	**Designation**	**No of shares**	**%**	**No of shares**	**%**
Tan Sri Anthony Francis Fernandes	Malaysian	Director	334,110,000	50.00	-	-
Datuk Kamarudin bin Meranun	Malaysian	Director	334,110,000	50.00	-	-
Ong Yoon Hooi	Malaysian	Alternate Director to Tan Sri Anthony Francis Fernandes	-	-	-	-
Karena Fernandes	Malaysian	Alternate Director to Datuk Kamarudin bin Meranun	-	-	-	-

		Direct		Indirect	
Major Shareholders	**Nationality**	**No of shares**	**%**	**No of shares**	**%**
Tan Sri Anthony Francis Fernandes	Malaysian	334,110,000	50.00	-	-
Datuk Kamarudin bin Meranun	Malaysian	334,110,000	50.00	-	-

INFORMATION ON AAX (CONT'D)

4. DIRECTORS

As at the LPD, the directors of AAX and their respective shareholdings in AAX are set out below:

			Direct		Indirect	
Directors	**Nationality**	**Designation**	**No of AAX Shares**	**%**	**No of AAX Shares**	**%**
Dato' Fam Lee Ee	Malaysian	Director	-	-	-	-
Datuk Kamarudin bin Meranun	Malaysian	Director	37,070,993	8.29	131,033,136[(1)]	29.31
Tan Sri Asmat bin Kamaludin	Malaysian	Director	10,000	0.002	2,000[(2)]	0.00*
Chin Min Ming	Malaysian	Director	-	-	-	-
Dato' Sri Mohammed Shazalli bin Ramly	Malaysian	Director	-	-	-	-
Dato Abdul Mutalib bin Alias	Malaysian	Director	-	-	-	-

Notes:

* *Negligible.*

(1) *Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in TGSB and AAB.*

(2) *Pursuant to Section 59(11)(c) of the Act, the interests of spouse and children of Tan Sri Asmat Bin Kamaludin in the AAX Shares shall also be treated as the interest of Tan Sri Asmat Bin Kamaludin.*

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

As at the LPD, the subsidiaries of AAX are as follows:

Name of company	**Date/ Place of incorporation**	**Share capital**	**Effective equity interest** %	**Principal activities**
AirAsia X Services Pty Ltd	4 January 2010 / Australia	USD 1.00	100	Provision of management logistical and marketing services
AAX Mauritius One Limited	16 December 2013 / Mauritius	USD 1.00	100	Provision of aircraft leasing facilities
AAX Aviation Capital Ltd	14 March 2018 / Malaysia	USD 1,000	100	Holding company
AAX Leasing One Ltd	15 March 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities

INFORMATION ON AAX (CONT'D)

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
AAX Leasing Two Ltd	24 May 2018/ Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Five Ltd	25 October 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eight Ltd	26 October 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Ten Ltd	12 December 2018 / Malaysia	USD1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eleven Ltd	18 January 2019/ Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Twelve Ltd	1 September 2022 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Thirteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Fourteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Fifteen Ltd	5 September 2022 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Sixteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Seventeen Ltd	3 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eighteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Nineteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities

INFORMATION ON AAX (CONT'D)

5.2 Associate company

As at the LPD, the associate company of AAX is as follows:

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
Thai AirAsia X Co., Ltd	12 March 2013 / Thailand	THB 417,500,000	49	Commercial air transport services
PT Indonesia AirAsia Extra ("**IAAX**")	13 August 2013 / Indonesia	IDR 292,950,000,000	49	Dormant

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

6. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of AAX for the past 3 financial years up to the FYE 31 December 2023 and the unaudited consolidated financial information for the unaudited 6-month FPE 30 June 2024 are set out below:

	Audited			Unaudited
	[a] 18-month FYE 30 June	[b] 18-month FYE 31 December	12-month FYE 31 December	6-month FPE 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	1,132,624	825,860	2,527,096	1,578,058
(LBT)/PBT	(33,675,165)	32,696,344	343,773	85,440
(Loss)/Profit before tax after minority interest	(33,675,165)	32,696,344	343,773	85,440
(LATAMI)/PATAMI	(33,675,158)	33,308,585	331,505	84,938
Share capital	1,534,044	1,534	51,029	51,029
Shareholders' fund/NA	(33,567,101)	(259,229)	116,175	205,675
Total interest-bearing borrowings	6,766,609	1,062,482	1,512,025	1,490,211
No. of issued shares ('000)	4,148,149	414,815	447,073	447,073
(Loss)/Earnings per share (RM)	(8.12)	80.30	0.74	0.19
(NL)/NA per share (RM)	(8.09)	(0.62)	0.26	0.46
Current ratio (times)	0.01	0.60	0.57	0.53
Gearing ratio (times)[c]	(0.20)	(3.42)	12.52	0.84

Notes:

(a) During the financial period, AAX Group changed its financial year end from 31 December to 30 June. Accordingly, the FYE 30 June 2021 covers a period of 18 months, from 1 January 2020 to 30 June 2021. Consequently, the comparative amounts for the historical financial information for the FYE 30 June 2021 and related notes thereto are not comparable.

(b) During the financial period, AAX Group changed its financial year end from 30 June to 31 December. Accordingly, the FYE 31 December 2022 covers a period of 18 months, from 1 July 2021 to 31 December 2022. Consequently, the comparative amounts for the historical financial information for the FYE 31 December 2022 and related notes thereto are not comparable.

(c) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total capital.

There are no accounting policies adopted which are peculiar to AAX. For the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, there were no audit qualification for the financial statements of AAX.

Commentaries of past financial performance:

(a) 18-month FYE 30 June 2021

Notwithstanding the longer 18-month reporting period for the FYE 30 June 2021, AAX Group recorded lower revenue of approximately RM1.1 billion for the said period as opposed to approximately RM4.2 billion for the 12-month FYE 31 December 2019, a decrease of approximately RM3.1 billion or 74%. This was mainly attributable to the outbreak of COVID-19 pandemic at the beginning of 2020 and the subsequent implementation of the travel and border restrictions, which resulted in suspension of AAX Group's scheduled flight operations.

During the 18-month FYE 30 June 2021, AAX and AAX Group had triggered events of default for the various contracts entered, and AAX Group had made a provision for termination of such contracts/claims of approximately RM25.2 billion during the said period. AAX Group had also made allowances for impairment losses on its assets amounting to approximately RM5.8 billion as there was a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery.

As a result of the above and higher interest expenses on lease liabilities, AAX Group recorded higher LATAMI of approximately RM33.7 billion for the 18-month FYE 30 June 2021 as compared to LATAMI of approximately RM0.7 billion for the FYE 31 December 2019, representing an increase in losses of approximately RM33.0 billion or 4,714%.

(b) 18-month FYE 31 December 2022

For the 18-month FYE 31 December 2022, AAX Group recorded revenue of approximately RM825.9 million, a decrease of approximately RM306.8 million or 25% from approximately RM1.1 billion for the 18-month FYE 30 June 2021. This was mainly contributed by the outbreak of COVID-19 pandemic and the implementation of the international travel and border restrictions, which were only gradually relaxed in the second half of 2022. For information purposes, AAX Group only began operating its scheduled flight services to Seoul and Delhi in April 2022. By the quarter ended December 2022, AAX Group had added back more flights, introducing Melbourne, Perth, Sydney-Auckland, Tokyo Sapporo, Taipei, Jeddah and Bali-Denpasar into its network, ending the year with a 14-route strong network with only seven (7) aircraft activated and operational amidst fuel price fluctuations.

Despite the lower revenue recorded, AAX Group recorded PATAMI of approximately RM33.3 billion for the 18-month FYE 31 December 2022 as compared to LATAMI of approximately RM33.7 billion for the 18-month FYE 30 June 2021. This was mainly due to the following:

(i) waiver of debts amounting to approximately RM34.3 billion pursuant to the debt restructuring scheme which took effect on 16 March 2022;

(ii) recognition of deferred tax assets of approximately RM0.6 billion as it is probable that future taxable profit will be available and the unused tax credits and unused tax losses can be utilised ("**Recognition of Deferred Tax Assets**"); and

(iii) absence of the provision and allowance for impairment that contributed to AAX Group's losses in the previous financial period.

Notwithstanding that AAX Group's PATAMI was mainly attributable to the waiver of debts and the Recognition of Deferred Tax Assets, AAX Group recorded net profits for the two (2) final quarters of the 18-month FYE 31 December 2022.

(c) 12-month FYE 31 December 2023

For the FYE 31 December 2023, AAX Group recorded a revenue of approximately RM2,527.1 million which represents an increase of approximately RM1,701.2 million or 206% as compared to the corresponding period in the preceding financial year of approximately RM825.9 million mainly attributable to the recovery of international travel and AAX Group's available seat capacity over the 12-month period ending 31 December 2023. For the most part of 2022, AAX Group's revenue was primarily generated from charter and freight services, whilst in 2023, AAX Group's fleet size had grown to 18 aircraft by December 2023, subsequently allowing AAX Group to meet the demand for international travel. This is in line with more fleets of aircraft this quarter to 16 operational aircraft.

Despite the higher revenue recorded, AAX Group recorded a PATAMI of approximately RM331.5 million for the 12-month FPE 31 December 2023 as compared to a PATAMI of approximately RM33.3 billion for the 18-month FPE 31 December 2022. This was mainly due to the reversal of write-back of liabilities amounting to RM34.3 billion attributable to the debt restructuring undertaken by AAX in the 18-month FPE 31 December 2022

(d) 6-month FPE 30 June 2024

For the 6-month FPE 30 June 2024, AAX Group recorded a revenue of approximately RM1,578.1 million which represents an increase of approximately RM516.3 million or 49% as compared to the corresponding period in the preceding financial year of approximately RM1,061.8 million mainly attributable to a 63% growth in the number of passengers carried to 1,839,888 from 1,126,460 passengers in the corresponding period of the preceding financial year, supported by an 53% growth in seat capacity to 2,217,946 seats from 1,448,491 seats in the corresponding period of the preceding financial year.

Despite the higher revenue recorded, AAX Group recorded a PATAMI of approximately RM84.9 million for the 6-month FPE 30 June 2024 which represents a decrease of approximately RM248.6 million or 75% as compared to a PATAMI of approximately RM333.5 million for the corresponding period in the preceding financial year. This was mainly due to the absence of reversal of one-off provisions for the 3-month FPE 31 March 2024 compared to the presence of such reversal amounting to RM216.0 million in other operating income for the 3-month FPE 31 March 2023, as well as higher operating expenses overall due to the increase in AAX Group's flight operations over the last 12-month period.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. TYPE OF ASSETS OWNED BY AAX

As at 31 December 2023, AAX Group own the following assets:

Type of Assets	Audited as at 31 December 2023 RM'million
Inventories	
- Consumables and in-flight merchandise	6.97
Property, plant and equipment	
- Aircraft engines, airframes and service potential	1.10
- Aircraft spares and rotables	34.10
- Office equipment, furniture and fittings	0.09
Right-of-use assets	
- Lease of 18 aircraft and 5 engines	1,306.45
Total	1,348.71

8. MATERIAL COMMITMENTS

Save for capital commitments in respect of aircraft purchase as disclosed below, there are no material commitments incurred or known to be incurred by AAX Group that have not been provided for in the financial statements and which, upon becoming enforceable, may have a material impact on AAX Group's profits or NA:

Capital commitment	Audited as at 31 December 2023 RM 'million
Property, plant and equipment approved and contracted for:	
• within 1 year	355.70
• later than 1 year and not later than 5 years	3,089.40
• later than 5 years	533.50
Total	3,978.60

Note:

The approved and contracted capital commitments for AAX Group is in respect of aircraft purchase.

9. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, there is no contingent liability incurred or known to be incurred by AAX Group which, upon becoming enforceable, may have a material impact on the financial results/position of AAX Group:

During the financial period ended 31 December 2022, IAAX received a Tax Underpayment Assessment Letter from the Indonesia Tax Office ("**ITO**"), demanding a payment of IDR686.8 billion for tax underpayment in the fiscal year 2017. The tax audit for the year assessment 2018 and 2019 were completed during the FYE 31 December 2022 and the ITO raised an additional assessment of IDR796.6 billion.

IAAX has disputed the tax assessments by the ITO and has submitted objection letters and appeal letters to the ITO. ITO has rejected the appeal by IAAX and the case has been brought to court. In the event the dispute is ruled in favour of the ITO, it is unlikely that IAAX will be able to pay the additional tax. According to Indonesian tax regulations, tax collection actions target "tax bearers" of corporate taxpayers, including shareholders. Consequently, AAX, as IAAX's shareholder, could be liable for IAAX's RM215.9 million tax payable, based on its 49% equity interest in IAAX. The basis for the additional tax payable is based on 49% of the total potential tax liability of IAAX of IDR1,483.4 billion (approximately RM440.6 million based on an exchange rate of IDR 1 : RM 0.000297) for the years of assessment 31 December 2017 to 31 December 2019.

The directors of AAX, based on legal opinion provided by external lawyer, believe that it is not probable that AAX will incur expenses related to IAAX's tax liability due to the lack of legal mechanism in Indonesia to effect the reciprocal arrangement with partner countries for cross-border tax collection assistance. Additionally, cross-border tax collection is not permissible if the tax is in dispute. IAAX has contested the tax claim and the case is currently pending hearing in Indonesia. Accordingly, this matter is disclosed as a contingent liability as it gives rise to a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of AAX.

10. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, AAX is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAX is not aware and does not have any knowledge of any proceedings pending or threatened against AAX, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of AAX.

11. MATERIAL CONTRACTS

Save for the agreements in relation to the AAX Proposed Acquisitions and AAX Proposed Post-Completion Options as well as those disclosed below, AAX Group have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular:

(i) share subscription agreement dated 22 May 2023 entered into between AAX and AHAM Asset Management Berhad for the subscription of 12,909,033 AAX Shares for a cash consideration of RM20,009,001.15, which was completed on 15 June 2023;

(ii) share subscription agreement dated 22 May 2023 entered into between AAX and AIIMAN Asset Management Sdn Bhd for the subscription of 3,220,000 AAX Shares for a cash consideration of RM4,991,000.00, which was completed on 15 June 2023; and

(iii) share subscription agreement dated 22 May 2023 entered into between AAX and Lavin Group Sdn Bhd for the subscription of 16,129,033 AAX Shares for a cash consideration of RM25,000,001.15, which was completed on 15 June 2023.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

INFORMATION ON AAAGL

1. HISTORY AND BUSINESS

AAAGL was incorporated in Labuan on 11 September 2003 under the Labuan Companies Act 1990 as a private limited company. AAAGL was formerly known as AA International Ltd until 17 November 2011, AirAsia Investment Ltd until 6 October 2021 and AirAsia Aviation Limited until 6 February 2022, after which it assumed its current name on 7 February 2022.

The principal activity of AAAGL is investment in shares outside Malaysia. Through its subsidiaries, TAA, PAA, IAA and CAA, the AAAGL Group provides air transport services from Thailand (commenced business in 2nd quarter of 2004), the Philippines (commenced business in 1st quarter of 2012), Indonesia (commenced business in 2nd quarter of 2005) and Cambodia (commenced business in May 2024).

The AAAGL Group is principally involved in the provision of short-haul domestic and international passenger air transport services for the respective airlines' markets in Thailand, the Philippines, Indonesia and Cambodia. In addition, the AAAGL Group also provides ancillary services to complement its passenger air transport services, which include pre-booked in-flight meals, pre-booked duty-free products and merchandise, onboard sale of meals, duty-free products and merchandise, baggage allowance, Fly-Thru services, travel insurance, seat selection and flight change and cancellation. For information, Fly-Thru services allow passengers to connect between 2 different flights offered by the other AirAsia airlines without having to go through immigration clearance and baggage collection during transit to the second flight, as immigration clearance will be done at, and the baggage will be checked through to, the final destination.

The AAAGL Group also provides air cargo services as a complementary service using the belly cargo capacity of its scheduled passenger flights. The AAAGL Group sells its air cargo capacity to its air cargo agent namely Teleport Everywhere Pte Ltd, a subsidiary of Capital A, which will arrange the movement of air cargo for its customers using the AAAGL Group's air cargo capacity.

Pursuant to the MBLA, AAAGL was granted the exclusive right to use the trade name and livery of the "AirAsia" brand for its aviation related business, including the right to sub-license such rights to its affiliates (including AAB, TAA, PAA, IAA and CAA). The MBLA shall remain in force for 10 years from 1 January 2023 and upon expiry of the initial term, the agreement shall be automatically extended for a period of 10 years, provided that the agreement has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the agreement. Pursuant to the SBLAs between AAAGL and the sub-licensees, the sub-licensees have to comply with the branding guidelines and operating requirements in relation to the operations of the AOCs as "AirAsia" branded airlines as well as any new or amended policies and standards prescribed by AAAGL. Accordingly, in accordance with the applicable accounting standards, AAV (the holding company of TAA) (listed on the Stock Exchange of Thailand), AAI (the holding company of PAA), AAID (the holding company of IAA) (listed on the Indonesia Stock Exchange) and CAA are therefore deemed as subsidiaries of AAAGL for accounting purposes with effect from the FYE 31 December 2023.

As one of the key components in the AirAsia Ecosystem, the AAAGL Group transacts with other entities within our Group and AAX Group in the ordinary course of its business. Where required, AAX will seek for its shareholders' mandate to enter into such recurrent related party transactions after the Proposed AAAGL Disposal.

Based on the consolidated financial information of AAAGL for the FYE 31 December 2023, AAAGL Group derives approximately 47%, 28% and 25% of their revenue from Thailand, Indonesia and Philippines respectively, with the remaining revenue being derived from China and Malaysia.

As at the LPD, AAAGL Group maintains a fleet of 118 aircraft with 96 aircraft in operation. AAAGL Group owns 3 aircraft and leases the remaining fleet of aircraft.

There is no significant amount spent on research and development by AAAGL.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAAGL is USD5,270,000 comprising 5,270,000 ordinary shares.

3. SHAREHOLDERS

As at the LPD, AAAGL is a direct wholly-owned subsidiary of our Company.

4. DIRECTORS

As at the LPD, the directors of AAAGL and their respective shareholdings in AAAGL are set out below:

			Direct		Indirect	
Directors	**Nationality**	**Designation**	**No of AAAGL Shares**	**%**	**No of AAAGL Shares**	**%**
Bo Lingam	Malaysian	Resident Director & Chief Executive Officer	-	-	-	-
Tan Sri Jamaludin bin Ibrahim	Malaysian	Independent Non-Executive Chairman	-	-	-	-
Suvabha Charoenying	Thai	Independent Non-Executive Director	-	-	-	-
Lim Serh Ghee	Singaporean	Independent Non-Executive Director	-	-	-	-
Francisco Edralin Lim	Filipino	Independent Non-Executive Director	-	-	-	-
Khoo Gaik Bee	Malaysian	Independent Non-Executive Director	-	-	-	-

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

As at the LPD, the subsidiaries of AAAGL are as follows:

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
AirAsia Aviation Management Services Sdn Bhd	6 August 2004 / Malaysia	RM 300,000	100	Investment holding
AirAsia Europe Limited	17 September 2020/ United Kingdom	GBP 100	100	Commercial air services
AirAsia (Guangzhou) Aviation Service Limited Company	13 November 2017 / China	USD 1,000,000	100	Aviation and commercial services
AA Com	19 June 2020/ Philippines	PHP 10,500,000	100	Tour and travel services
CAA	3 April 2023 / Cambodia	USD 8,255,045	51	Passenger air transport
AAI	17 March 2011 / Philippines	PHP 597,510,500	99.98	Commercial air transport services
AAID	21 August 1991 / Indonesia	IDR 2,671,281,110,250	46.25	Investment Holding
AAV	26 December 2011 / Thailand	THB 1,285,000,000	40.71	Investment holding
Held by AAI				
PAA	9 July 1997 / Philippines	PHP 595,000,000	99.66	Commercial air transport services
Asiawide Airways Inc	25 June 2008/ Philippines	PHP 31,250,000	100.0	Dormant
Held by AAID				
IAA	6 December 1999/ Indonesia	IDR 421,066,000,000	57.25	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia	15 November 2016/ Indonesia	IDR 15,000,000,000	67.00	Provision of airport related services

INFORMATION ON AAAGL (CONT'D)

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest %	Principal activities
Held by AAV				
TAA	19 September 2003/ Thailand	THB 967,969,520	40.71	Low-fare airline service
Held by TAA				
Asia Aviation Center Company Limited	27 January 2021/ Thailand	THB 2,500,000	40.71	Providing academy institution of learning and competency development for aviation tourism and hospitality industries

5.2 Associate company

As at the LPD, AAAGL does not have any associate company.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

INFORMATION ON AAAGL (CONT'D)

6. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of AAAGL Group, based on equity accounting of the AOCs, for the past 3 financial years up to the FYE 31 December 2023, and the unaudited consolidated financial information of AAAGL Group for the 6-month FPE 30 June 2024 are set out below:

	Audited			Unaudited
	FYE 31 December			6-month FPE 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	-	22,245	5,630,969	5,446,368
PBT/(LBT)	3,701	(302,591)	874,985	(669,548)
Profit/(Loss) before tax after minority interest	3,701	(302,591)	1,143,870	(429,669)
PATAMI/(LATAMI)	3,701	(302,591)	1,137,184	(424,771)
Share capital	21,652	21,652	21,652	21,652
Shareholders' deficit/(NL)	(10,210)	(350,631)	(1)(2,234,004)	(4,515,397)
Total interest-bearing borrowings	-	171,376	(2)9,789,132	9,638,715
No. of issued shares ('000)	5,270	5,270	5,270	5,270
Earnings per share (RM)(3)	0.70	(57.42)	215.78	(80.60)
(NL)/NA per share (RM)(4)	(1.94)	(66.53)	(423.91)	(856.81)
Current ratio (times)(5)	0.86	0.16	0.09	0.11
Gearing ratio (times)(6)	(7)N/A	(8)N/A	(8)N/A	(8)N/A

Notes:

(1) As of 31 December 2023, AAAGL Group reported a shareholders' deficit mainly due to accumulated losses of RM2,137.5 million and merger deficit of RM915.5 million arising from the consolidation of AAV, AAID, AAI, TAA, IAA and PAA, which is offset by profit after tax attributable to owners of AAAGL Group of RM1,137.2 million in the FYE 31 December 2023.

(2) As of 31 December 2023, AAAGL Group reported total interest-bearing borrowings amounting to RM9,789.1 million, arising from RM549.8 million in long term debentures, RM920.1 million in borrowings and RM8,319.2 million in lease liabilities, which includes RM3,391.7 million pursuant to lease arrangements with AAB Group.

(3) Calculated based on profit/(loss) attributable to the owners of AAAGL over the number of shares in issue.

(4) Calculated based on NA/(NL) over the number of shares in issue.

(5) Calculated based on current assets over current liabilities.

(6) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total equity.

(7) Not applicable for FYE 2021 as AAAGL has no borrowings.

(8) Not computed as AAAGL has recorded a deficit in its total equity.

There are no accounting policies adopted which are peculiar to AAAGL Group. For the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, there were no audit qualification for the financial statements of AAAGL Group.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Commentaries of past financial performance:

(i) FYE 31 December 2021

There was no revenue recorded for FYE 31 December 2021 as AAAGL only held equity interest of the AOC Holdco as associate companies during the period. AAAGL recorded a PATAMI of approximately RM3.7 million for FYE 31 December 2021 mainly due to the interest income of approximately RM6.3 million from the investment in the convertible bond issued by AAI.

(ii) FYE 31 December 2022

The AAAGL Group recorded revenue of RM22.3 million for the FYE 31 December 2022, which was contributed mainly from the provision of aviation and commercial services of RM22.1 million by AirAsia (Guangzhou) Aviation Service Limited Company which was acquired during the FYE 31 December 2022.

The AAAGL Group recorded LATAMI of RM302.6 million for the FYE 31 December 2022, a decrease of RM306.3 million as compared to a PATAMI of RM3.7 million for the FYE 31 December 2021, mainly attributed to the share of losses of associates of approximately RM297.8 million mainly arising from the share of losses in AAV.

(iii) FYE 31 December 2023

The AAAGL Group recorded an improved revenue of approximately RM5,631.0 million for the FYE 31 December 2023 as compared to RM22.3 million for the FYE 31 December 2022, mainly attributable to the accounting consolidation of TAA, IAA and PAA which were deemed as subsidiaries of AAAGL with effect from the FYE 31 December 2023 pursuant to the SBLAs entered into between AAAGL and the sub-licensees, namely TAA, IAA and PAA together with their respective AOC Holdco, namely AAV, AAID and AAI, where the sub-licensees have to comply with the branding guidelines and operating requirements in relation to the operations of the AOCs as "AirAsia" branded airlines as well as any new or amended policies and standards prescribed by AAAGL. Accordingly, in accordance with the applicable accounting standards, AAV, AAI and AAID are therefore deemed as subsidiaries of AAAGL for accounting purposes with effect from the FYE 31 December 2023. TAA, IAA and PAA recorded sale of scheduled flights and chartered flights amounting to RM4,569.6 million and ancillary revenue amounting to RM1,030.9 million for the FYE 31 December 2023.

The AAAGL Group recorded a PATAMI of approximately of RM1,137.2 million for the FYE 31 December 2023, an increase of RM1,439.8 million as compared to a LATAMI of RM302.6 million for the FYE 31 December 2022. The increase in profit was mainly attributable to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses amounting to RM2,375.3 million, maintenance and overhaul expenses of RM1,365.7 million and user charges amounting to RM932.6 million for the FYE 31 December 2023. In addition, there was a gain on remeasurement of previously held interest in associate amounting to RM1,547.9 million, derived primarily from the impacts resulting from the change of status of AAV, AAID, AAI, TAA, IAA and PAA from associates to subsidiaries of AAAGL for accounting consolidation purposes during the FYE 31 December 2023.

(iv) 6-month FPE 30 June 2024

For the 6-month FPE 30 June 2024, AAAGL Group recorded a revenue of approximately RM5,446.4 million which represents an increase of approximately RM3,319.8 million or 156% as compared to the corresponding period in the preceding financial year of approximately RM2,126.6 million mainly attributable to a 14% growth in the number of passengers carried to 17,334,007 from 15,251,465 passengers in the corresponding period of the preceding financial year, supported by a 11% growth in seat capacity to 18,985,002 seats from 17,087,486 seats in the corresponding period of the preceding financial year.

Despite higher revenue recorded, AAAGL Group recorded a LATAMI of approximately RM424.8 million for the 6-month FPE 30 June 2024 which represents a decrease of approximately RM1,628.9 million or 135% as compared to a PATAMI of approximately RM1,204.1 million for the corresponding period in the preceding financial year. This was mainly due to the absence of the aforementioned one-off gain on remeasurement of previously held interest in associate derived primarily from the impacts resulting from the change of status of AAV, AAID, AAI, TAA, IAA and PAA from associates to subsidiaries pursuant to the MBLA.

7. ASSETS OWNED BY AAAGL

As at 31 December 2023, AAAGL Group own the following assets:

Type of Assets	Audited as at 31 December 2023 RM'million
Inventories	
- Consumables (engine oil, washer, nuts and bolts), in-flight merchandise and others	137.47
Property, plant and equipments	
- 3 Aircraft and engines, airframes and service potential	332.61
- Freehold land (land for office building)	139.83
- Buildings (office buildings)	138.19
- Aircraft spares	97.74
- Aircraft fixtures and fittings	70.84
- Office renovations	15.40
- Office equipment, furniture and fittings	12.31
- Others	11.94
Right-of-use assets	
- Lease of 110 aircraft and engines	5,398.01
Investment properties	
- Investment properties (land and building)	67.31
Investment securities	
- Unlisted equity securities	5.77
Total	**6,427.42**

8. MATERIAL COMMITMENTS

As at the LPD, there is no material commitment incurred or known to be incurred by AAAGL, which may have a material impact on the financial results/position of AAAGL.

9. CONTINGENT LIABILITIES

As at the LPD, there is no contingent liability incurred or known to be incurred by AAAGL which upon becoming enforceable may have a material and adverse impact on the financial results/position of AAAGL.

10. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, AAAGL and its subsidiaries are not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAAGL is not aware of any proceedings, pending or threatened, against AAAGL and its subsidiaries or any facts which are likely to give rise to any proceedings which may materially and adversely affect the business or financial position of AAAGL and its subsidiaries:-

(i) Litigation involving AirAsia (India) Limited ("**AAIL**") and Commissioner of Central Tax, Bangalore North

During the course of the operations of AAIL, AAIL had received certain demands and assessment orders from the tax authorities in India dated 19 October 2016, 19 July 2019, 30 June 2021, 25 September 2021, 21 April 2022 and 29 April 2022. The tax demands remain pending as at the LPD. The maximum liability of our Group which may arise from the tax demands is approximately RM252.7 million based on 49% of the aggregate liability of AAIL of INR 10,022.2 million (approximately RM515.8 million based on an exchange rate of INR 1 : RM 0.051464).

Based on the assessment by the tax and legal experts engaged, AAIL has a defensible position against the tax demand.

11. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by AAAGL within the past 2 years immediately preceding the date of this Circular:

(i) On 2 November 2022, AAAGL entered into a share purchase agreement ("**AA India SPA**") with AAB, Air India Limited and AirAsia (India) Private Limited ("**AAIPL**") in respect of the sale of AAAGL's remaining 16.33% equity shares in AAIPL to Air India Limited, an affiliate of Tata Sons Private Limited, India. The consideration for the sale was INR1,556,487,800 (approximately equivalent to RM89,031,102). The transaction was completed on 2 November 2022.

Note: *Based on BNM's exchange rate of INR100 : RM5.72, being the middle rate published on BNM's website as at 2 November 2022.*

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

INFORMATION ON AAB

1. HISTORY AND BUSINESS

AAB was incorporated in Malaysia on 20 December 1993 under the Companies Act, 1965 as a private limited company under the name of AirAsia Sdn Bhd and is deemed registered under the Act. AAB was converted into a public limited company on 8 June 2004. AAB was listed on the Main Market of Bursa Securities on 22 November 2004. Subsequently, pursuant to an internal reorganisation undertaken by AAB by way of a members' scheme of arrangement under Section 366 of the Act, AAB was delisted and its listing status on the Main Market of Bursa Securities was assumed by Capital A on 16 April 2018.

The principal activity of AAB is providing air transport services from Malaysia (commenced business in 1996). The AAB Group is principally involved in the provision of short-haul domestic and international passenger air transport services for the Malaysian market. Similar to the AAAGL Group, the AAB Group also provides ancillary and air cargo services to complement its passenger air transport services.

As one of the key components in the AirAsia Ecosystem, the AAB Group transacts with other entities within our Group and AAX Group in the ordinary course of its business. Where required, AAX will seek for its shareholders' mandate to enter into such recurrent related party transactions after the Proposed AAB Disposal.

Based on the consolidated financial information of AAB for the FYE 31 December 2023, AAB Group derives all of their revenue from Malaysia.

As at the LPD, AAB maintains a fleet of 103 aircraft with 80 aircraft in operation. AAB leases their entire fleet of aircraft and does not own any aircraft.

There is no significant amount spent on research and development by AAB.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAB is RM2,515,673,745 comprising 3,341,974,080 ordinary shares.

3. SHAREHOLDERS

As at the LPD, AAB is a direct wholly-owned subsidiary of our Company.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

4. DIRECTORS

As at the LPD, the directors of AAB and their respective shareholdings in AAB are set out below:

			Direct		Indirect	
Directors	**Nationality**	**Designation**	**No of AAB Shares**	**%**	**No of AAB Shares**	**%**
Datuk Kamarudin bin Meranun	Malaysian	Director	-	-	3,341,974,080[(1)]	100
Riad Asmat	Malaysian	Director	-	-	-	-
Jasmindar Kaur A/P Sarban Singh	Malaysian	Director	-	-	-	-
Dato' Captain Fareh Ishraf Mazputra Ahmad Fairuz	Malaysian	Director	-	-	-	-

Note:

(1) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in our Company.

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

As at the LPD, the subsidiaries of AAB are as follows:

Name of company	**Date/ Place of incorporation**	**Share capital**	**Effective equity interest**	**Principal activities**
			%	
AACL	26 September 2014/ Malaysia	USD5,000,000	100	Providing aircraft leasing facilities
AirAsia Corporate Services Limited	21 October 2008/ Malaysia	USD10,000,000	100	Facilitate insurance services for Capital A Group
AirAsia (Mauritius) Limited	20 August 2004/ Mauritius	USD1	100	Providing aircraft leasing facilities
AirAsia RB 1 Ltd	15 March 2024/ Malaysia	USD1,000	100	Investment holding
<u>*Held by AACL*</u>				
Asia Aviation Capital Pte Ltd	18 July 2016 / Singapore	SGD4,110,001	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	28 November 2017 / Malaysia	USD1,000	100	Providing supporting services to air transport

INFORMATION ON AAB (CONT'D)

5.2 Associate company

As at the LPD, the associate company of AAB is as follows:

Name of company	Date/ Place of incorporation	Share capital	Effective equity interest	Principal activities
			%	
AirAsia Philippines Inc.	22 March 2005 / Philippines	PHP1,000,000	39.90	Dormant
GTRH	21 September 2017/ Malaysia	RM63,177,130	50.00	Investment holding
Held by GTRH				
Ground Team Red Sdn Bhd	26 December 2007 / Malaysia	RM86,213,964	51.00	Ground handling services
GTRSG Pte Ltd	5 September 2017 / Singapore	SGD3,768,950	40.00	Ground handling services

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

6. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of AAB Group for the past 3 financial years up to the FYE 31 December 2023 and the unaudited consolidated financial information of AAB Group for the 6-month FPE 30 June 2024 are set out below:

	Audited			Unaudited
	FYE 31 December			6-month FPE 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Revenue	691,358	3,784,775	6,420,374	4,133,437
(LBT)/PBT	(2,472,776)	(1,778,995)	3,626,938	(208,164)
(Loss)/Profit before tax after minority interest	(2,472,776)	(1,778,995)	3,626,938	(208,164)
(LATAMI)/PATAMI	(2,473,766)	(1,782,331)	3,620,868	(208,794)
Share capital	2,515,673	2,515,673	2,515,673	2,515,673
Shareholders' deficit/(NL)(1)	(3,460,239)	(5,208,655)	(1,504,694)	(1,825,633)
Total interest-bearing borrowings(2)	13,049,438	14,749,122	16,283,292	16,444,286
No. of issued shares ('000)	3,341,974	3,341,974	3,341,974	3,341,974
Earnings per share (RM)(3)	(0.74)	(0.53)	1.08	(0.06)
(NL)/NA per share (RM)(4)	(1.04)	(1.56)	(0.45)	(0.55)
Current ratio (times)(5)	0.43	0.41	1.07	1.00
Gearing ratio (times)(6)	N/A	N/A	N/A	N/A

Notes:

(1) As of 31 December 2022, AAB Group reported a shareholders' deficit amounting to RM5,208.7 million mainly due to accumulated losses carried forward from prior periods. As of 31 December 2023, AAB Group reported a shareholders' deficit amounting to RM1,504.7 million mainly due to PATAMI for the FYE 31 December 2023 of RM3,620.9 million.

(2) As of 31 December 2022, AAB Group reported total interest-bearing borrowings amounting to RM14,749.1 million, arising from RM1,541.7 million in borrowings and RM13,207.4 million in lease liabilities. As of 31 December 2023, AAB Group reported total interest-bearing borrowings amounting to RM16,283.3 million, arising from RM2,179.8 million in borrowings and RM14,103.5 million in lease liabilities.

(3) Calculated based on profit/(loss) attributable to the owners of AAB over the number of shares in issue.

(4) Calculated based on NA/(NL) over the number of shares in issue.

(5) Calculated based on current assets over current liabilities.

(6) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total equity (i.e. sum of NA/(NL) attributable to the owners of AAB and net debt). The gearing ratios are not presented as AAB Group has negative total equity.

There are no accounting policies adopted which are peculiar to AAB Group. For the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, there were no audit qualification for the financial statements of AAB Group.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

INFORMATION ON AAB (CONT'D)

Commentaries of past financial performance:

(i) FYE 31 December 2021

AAB Group recorded a significant decrease in revenue of RM1,198.5 million or 63% to RM691.4 million from RM1,889.9 million during the FYE 31 December 2020, mainly attributable to the closure of geographical borders due to the outbreak of the COVID-19 pandemic which resulted in severely restricted air travel, specifically international air travel, causing a sharp decline in revenue. AAB Group's domestic and international flight operations were disrupted for the whole year in FYE 31 December 2021, as opposed to just the second to fourth quarters in FYE 31 December 2020, resulting from the reimposition of multiple lockdowns by the Malaysian Government during the FYE 31 December 2021.

AAB Group recorded a LATAMI of approximately RM2,473.8 million for FYE 31 December 2021 as compared to a LATAMI of approximately RM3,957.2 million for the previous financial year, representing a decrease in losses of approximately RM1,483.4 million or 37%. This was mainly due to the decrease in fuel costs to approximately RM228.5 million for the FYE 31 December 2021 as a result of a decrease in the number of flights as a result of multiple lockdowns by the Malaysian Government during the FYE 31 December 2021, partially offset by the lower revenue as explained above.

(ii) FYE 31 December 2022

AAB Group recorded revenue of approximately RM3,784.8 million for the FYE 31 December 2022, an increase of approximately RM3,093.4 million or 447% from approximately RM691.4 million for FYE 31 December 2021, mainly attributed to the relaxation of travel restrictions, including testing, quarantine and entry requirements amidst the COVID-19 pandemic. Consequently, AAB Group carried 16.78 million passengers during the FYE 31 December 2022 as compared to 3.13 million in the previous financial year. Hence, passenger service revenue increased by RM2,361.6 million or 475% to RM2,859.1 million for FYE 31 December 2022 as compared to RM497.5 million for FYE 31 December 2021. Additionally, ancillary revenue increased by RM685.7 million or 380% to RM866.2 million for the FYE 31 December 2022 as compared to RM180.5 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees as a result of a higher number of passengers resulting from the resumption of international flights.

AAB Group recorded a LATAMI of approximately RM1,782.3 million for FYE 31 December 2022 as compared to a LATAMI of approximately RM2,473.8 million for the previous financial year, representing a decrease in losses of approximately RM691.5 million or 28%. This was mainly due to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses which increased by RM1,694.9 million or 742% from RM228.4 million for the FYE 31 December 2021 to RM1,923.3 million for the FYE 31 December 2022, resulting from higher fuel consumption and rising fuel prices in the global market.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

(iii) FYE 31 December 2023

AAB Group recorded revenue of approximately RM6,420.4 million for the FYE 31 December 2023, an increase of RM2,635.6 million or 70% from RM3,784.8 million for the FYE 31 December 2022, marking the highest revenue recorded by the AAB Group since the inset of the COVID-19 pandemic. The increased revenue during the FYE 31 December 2023 was mainly attributable to the further reactivation of an additional twenty-eight (28) operating aircraft during this financial year, resulting in seventy-one (71) operating aircraft in the AAB Group's fleet as at 31 December 2023, thereby further increasing seat capacity for the AAB Group's scheduled flight operations.

Hence, seat sales revenue increased by RM1,450.2 million or 51% to RM4,309.3 million for the FYE 31 December 2023 as compared to RM2,859.1 million for the FYE 31 December 2022. The AAB Group recorded an increase in its average base fare to RM224 for FYE 31 December 2023 as compared to RM192 for the previous financial year. Additionally, ancillary revenue increased by RM1,160.8 million or 134% to RM2,027.0 million for the FYE 31 December 2023 as compared to RM866.2 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees due to the higher number of passengers, resulting from more aircraft back into service.

The AAB Group recorded a PATAMI of approximately RM3,620.9 million for the FYE 31 December 2023 as compared to a LATAMI of RM1,782.3 million for the previous financial year, representing an increase of approximately RM5,403.2 million. The improvement was mainly due to the one-off gain from disposal of AirAsia Brand of RM 4,500.0 million, the higher revenue as explained above, partially offset by higher operating expenses, particularly from aircraft fuel expenses which rose by RM879.5 million or 46% from RM1,923.3 million for the FYE 31 December 2022 to RM2,802.8 million for the FYE 31 December 2023 resulting from higher fuel consumption and rising fuel prices in the global market.

(iv) 6-month FPE 30 June 2024

For the 6-month FPE 30 June 2024, AAB Group recorded a revenue of approximately RM4,133.4 million which represents an increase of approximately RM1,079.9 million or 35% as compared to the corresponding period in the preceding financial year of approximately RM3,053.4 million mainly attributable to a 13% growth in the number of passengers carried to 13,703,194 from 12,148,667 passengers in the corresponding period of the preceding financial year, supported by a 10% growth in seat capacity to 15,377,840 seats from 13,923,032 seats in the corresponding period of the preceding financial year.

Despite higher revenue recorded, AAB Group recorded a LATAMI of approximately RM208.8 million for the 6-month FPE 30 June 2024 which represents a decrease of approximately RM4,225.1 million or 105% as compared to a PATAMI of approximately RM4,016.3 million for the corresponding period in the preceding financial year. This was mainly due to the absence of the one-off gain from disposal of AirAsia Brand of RM 4,500.0 million.

7. ASSETS OWNED BY AAB

As at 31 December 2023, AAB Group own the following assets:

Type of Assets	Audited as at 31 December 2023 RM'million
Property, plant and equipments	
- Buildings (AirAsia's headquarter and hangars at KLIA)	133.2
- Office equipment, furniture and fittings	85.8
- 2 aircraft engines, airframes and service potential	15.5
- Aircraft spares	16.0
- Operating plant and ground equipment	7.4
- Motor vehicles	2.1
- Office renovation	1.9
- Others	1.0
Rights-of-use assets	
- 103 aircraft, 16 spare engines and land and building	6,768.5
Inventories	
- Consumables (engine oil, washer, nuts and bolts), in-flight merchandise and others	18.8
Total	**7,050.2**

8. MATERIAL COMMITMENTS

Save as disclosed below, there is no material commitment incurred or known to be incurred by AAB, which may have a material impact on the financial results/position of AAB:

	Audited as at 31 December 2023 RM' 000
Capital commitment	
Contracted but not provided for	
• Later than 1 year and not later than 5 years	12,122,544
• Later than 5 years	94,966,872
Total	**107,089,416**

Note:

The approved and contracted for capital commitments for AAB are in respect of aircraft purchase.

9. CONTINGENT LIABILITIES

As at the LPD, there is no contingent liability incurred or known to be incurred by AAB which upon becoming enforceable may have a material and adverse impact on the financial results/position of AAB.

10. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, AAB and its subsidiaries are not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAB is not aware of any proceedings, pending or threatened, against AAB and its subsidiaries or any facts which are likely to give rise to any proceedings which may materially and adversely affect the business or financial position of AAB and its subsidiaries:-

(i) Arbitration matter involving Mr. Christopher Davison and Mr. Navin Rajagopalan (as claimants) v AirAsia Digital Sdn. Bhd. ("**AA Digital**"), AAB and BigPay Pte. Ltd. ("**BigPay SG**") (as respondents) at Singapore International Arbitration Centre in respect of disputes arising from the shareholder disputes in relation to BigPay SG

On 17 March 2017, the claimants, AAB and BigPay SG have entered into the following agreements in relation to the regulation of affairs of BigPay SG:

(1) Shareholders' agreement which sets out the terms governing the relationship between the shareholders of BigPay SG ("**BigPay SHA**").

(2) Investment agreement which sets out the terms and conditions relating to AAB's investment in BigPay SG ("**BigPay IA**").

On 18 November 2021, the claimants issued a notice of arbitration against AA Digital, AAB and BigPay SG under the Arbitration Rules of the Singapore International Arbitration Centre 2016, in respect of the decision taken by AA Digital to terminate the BigPay SHA and BigPay IA.

The claimants, as minority shareholders of BigPay SG, claimed for breaches and wrongful termination of the BigPay IA and BigPay SHA by the respondents and minority oppression under section 216(1) of the Companies Act 1967 of Singapore ("**Singapore Companies Act**"). The claimants made claims in the region of USD140,000,000 to USD183,000,000 (approximately equivalent to RM660,800,000 to RM863,760,000), and the main relief sought by the claimants was a buy-out by AA Digital of the shares held by the claimants in BigPay SG.

As at the LPD, the arbitration proceedings remain pending. The evidentiary hearing concluded on 13 October 2023 and an award is expected to be issued in 2024.

The solicitors acting for AA Digital and AAB are of the view that AA Digital and AAB have reasonable prospects of successfully defending the claim. Additionally, in light of the expert evidence that has been led and the arbitral tribunal's reception of the evidence, the solicitors are of the view that if AAB or AA Digital is ordered to buy out the BigPay SG shares held by the claimants, the solicitors estimate that the buyout price will likely be up to USD1,300,000 (approximately equivalent to RM5,616,000).

**Note: Based on BNM's exchange rate of USD1 : RM4.32, being the middle rate published on BNM's website as at the LPD.*

11. MATERIAL CONTRACTS

As at the LPD, save for the AA India SPA (details of which are provided in Section 11(i) of Appendix II of this Circular), there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by AAB within the past 2 years immediately preceding the date of this Circular.

12. INFORMATION ON THE REVENUE BOND

The rationale for the issuance of the Revenue Bond is to raise proceeds which shall be on-lend by AARB1 to AAB, for AAB to refinance its lease liabilities, aircraft and engine maintenance costs, and to support the working capital requirements of AAB. As at the LPD, the gross proceeds of the Revenue Bond of USD443.0 million are intended to be utilised by AAB in the following manner:

Details of utilisation	USD'million	%	Estimated time frame for full utilisation
Refinancing of lease liabilities[(a)]	263.0	59.4	Fully utilised
Aircraft and engine maintenance costs[(b)]	82.0	18.5	Fully utilised
General working capital[(c)]	43.5	9.8	December 2024
Debt service reserve[(d)]	32.0	7.2	September 2024
Transaction costs in relation to the issuance of the Revenue Bond[(e)]	20.0	4.5	Fully utilised
Stamp duty[(f)]	2.5	0.6	December 2024
Total	**443.0**	**100.0**	

Notes:

(a) AAB has utilised gross proceeds of USD263.0 million to fulfil aircraft lease obligations to the lessors who have restructured the lease contracts.

(b) AAB has utilised gross proceeds of USD82.0 million to make payments for aircraft and engine maintenance to ensure that the aircraft remain fit for flying as AAB ramps up its operations in line with the revival and increase of air travel demand after the COVID-19 pandemic.

(c) AAB intends to utilise gross proceeds of USD43.5 million to part finance the working capital requirements of AAB Group for the day-to-day operations which include staff-related costs, training costs for pilot and cabin crew, jet fuel, IT operating expenses and other general working capital requirements, back-office support services fees, and office maintenance related expenses within 3 months from the issuance date of the Revenue Bond.

(d) AAB Group intends to utilise gross proceeds of USD32.0 million for debt service reserve in relation to first quarterly principal repayment of the Revenue Bond.

(e) Transaction costs in relation to the issuance of the Revenue Bond include professional fees.

(f) AAB intends to utilise gross proceeds of USD2.5 million to pay the stamp duty in relation to the issuance of the Revenue Bond.

It is a term of the Revenue Bond that our Company will be released as a corporate guarantor upon fulfilment of the conditions for release under the trust deed dated 21 August 2024, constituting the Revenue Bond ("**Revenue Bond Trust Deed**"), which includes the replacement of AAX as a corporate guarantor for the Revenue Bond upon completion of the Proposed Disposals. Our Company will ensure that the conditions for release of our Company as a corporate guarantor under the Revenue Bond will be fulfilled before or on the AAB Completion Date. Pursuant thereto, there are no liabilities, including contingent liabilities and guarantees, in relation to AAB Group arising from the Revenue Bond which will remain with our Company after the completion of the Proposed Disposals.

INFORMATION ON AAB (CONT'D)

The Revenue Bond and/or AAB's corporate guarantee (as the case may be), are also secured by, amongst others:-

(i) a first ranking charge by AAB over all present and future revenue proceeds generated by AAB from passenger seat sales and ancillary revenue from the selected specified routes after deduction of any refunds, merchant discount fees and bank charges which are held by AAB;

(ii) a floating charge by AAB over certain sub-accounts of AAB's general operating account, which shall receive all present and future passenger seat sale proceeds and ancillary revenue generated by AAB through distribution channels other than AirAsia MOVE;

(iii) a first ranking share charge by AAB over 100% of the shares of AARB1 held; and

(iv) upon completion of the Proposed Disposals, a first ranking share charge by AAX in respect of 49% of the shares of AAB held.

For clarity, note (i) and (ii) above represent charges over the abovementioned revenue proceeds and operating accounts which shall be used to pay any outstanding obligations under the Revenue Bond. The above charges related to the cashflows and debt obligations of AAB under the Revenue Bond will remain exclusively within AAB Group and will be disposed together as part of the Proposed AAB Disposal. As such, the aforesaid charges as mentioned in note (i) and (ii) have no material impact to our Group after the completion of the Proposed AAB Disposal.

Based on the Revenue Bond's interest rate for tranche 1 and tranche 2 of 7% per annum and 14% per annum, respectively, AARB1 is expected to incur an interest payment of approximately RM195 million per annum (based on BNM's exchange rate of USD1 : RM4.32, being the middle rate published on BNM's website as at the LPD).

AAB's debt payment capability to the Revenue Bond holders is dependent on the cash flows generated from the passenger seat sales revenue of the air routes secured under the Revenue Bond, and the profitability of AAB's airline business in general. The profitability of AAB's airline business in general are, in turn, dependent on, amongst others, the demand for air travel and competition from other airlines. There is no assurance that the cash flow generated by AAB would be timely or sufficient to ensure the interest and principal payment of Revenue Bond are paid when due. Nevertheless, AAB will continuously monitor and review the cash flow of its operations to ensure the ability of AARB1 to meet its Revenue Bond payment obligations is not compromised.

For the avoidance of doubt, the issuance of the Revenue Bond:

(a) does not constitute a material development that will affect the AAB Valuation Range prepared by DCAS on the basis that the impact of the issuance of the Revenue Bond to the equity value of AAB amounts to a variance of less than 1% to the AAB Valuation Range. Please refer to Section 3.2 of Part A of this Circular for further details;

(b) will not have any financial effects on the NA, gearing and EPS of our Group on the basis that the cash flows, interest expense, assets and liabilities in relation to the Revenue Bond remains exclusively within AAB Group and will be disposed together as part of the Proposed AAB Disposal; and

(c) does not have any impact to the AAB SSPA (as supplemented by the AAB Supplemental SSPA and AAB Second Supplemental SSPA).

The salient terms of the Revenue Bond are set out below:

1. Issuance of Revenue Bond and Intercompany Loan

On and subject to the terms of the transaction documents for the Revenue Bond ("**RB Transaction Documents**"), AAB's wholly-owned subsidiary, AARB1, has agreed to issue Regulation S secured bonds as follows:

(i) Tranche 1 representing USD242,907,000 7.00 per cent Revenue Bond due September 2026 ("**Tranche 1 Notes**"); and

(ii) Tranche 2 representing USD200,000,00 14.00 per cent Secured Notes due August 2028 ("**Tranche 2 Notes**").

Pursuant to the terms of RB Transaction Documents, AARB1 subsequently on-lends the proceeds of the Revenue Bond to AAB for AAB to refinance its lease liabilities, aircraft and engine maintenance costs, and to support the working capital requirements of our Group.

2. Guarantee and Security

The Revenue Bond are guaranteed by AAB and our Company as corporate guarantor ("**RB Corporate Guarantees**"). It is a term of the Revenue Bond that our Company will be released as a corporate guarantor upon fulfilment of the conditions for release under the Revenue Trust Deed which includes the replacement of AAX as a corporate guarantor for the Revenue Bond upon completion of the Proposed Disposals. The reference to "**RB Corporate Guarantors**" shall refer to (a) AAB; (b) prior to the Proposed Disposals, our Company; and (c) AAX, upon completion of the Proposed Disposals.

The Revenue Bond and/or the RB Corporate Guarantees (as the case may be), are also secured by the following, amongst others:-

(i) as security for the RB Corporate Guarantees:

a. a first ranking assignment by AAB over all present and future revenue proceeds generated by AAB from passenger seat sales and ancillary revenue from the selected specified routes ("**Secured Routes**") after deduction of any refunds, merchant discount fees and bank charges which are held by AAB ("**Revenue Proceeds**"); and

b. a floating charge by AAB over certain sub-accounts of AAB's general operating account ("**Sub-General Accounts**"), which shall receive Revenue Proceeds generated by AAB through distribution channels other than AirAsia MOVE;

(ii) as security for the Revenue Bond:

a. a first ranking share charge by AAB over 100% of the shares of AARB1 held;

b. a first ranking charge and assignment over all present and future interest, rights, benefits, titles and assets of AARB1 including:

(1) the intercompany loan between AARB1 and AAB;

(2) the designated operating account ("**Designated AOC Operating Account**") which shall be established in the name of AARB1 to capture the certain Revenue Proceeds generated by AAB through AirAsia Move ("**SuperApp Revenue Proceeds**");

(3) the revenue reserve account ("**Reserve Account**") which shall be established in the name of AARB1 certain funds (including amounts derived from Revenue Proceeds) will be required to be retained in that account from time to time; and

(4) upon completion of the Proposed Disposals, a first ranking share charge by AAX in respect of 49% of the shares of AAB held.

3. Ranking

The Revenue Bond are direct, unconditional and secured obligations of AARB1 and rank and will rank *pari passu*, without any preference among themselves, and rank and will rank in priority to all other outstanding unsecured and unsubordinated obligations of AARB1, present and future, but, in the event of insolvency, only to the extent permitted by the relevant applicable laws relating to creditors' rights.

4. **Redemption**

4.1 **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided in the RB Transaction Documents, AARB1 must redeem the Revenue Bond at their relevant maturity dates.

4.2 **Redemption by instalments**

Tranche 1 Notes
Unless previously redeemed or purchased and cancelled in full, AARB1 will, having given not less than five (5) business days' notice to the noteholders of the Tranche 1 Notes ("**Tranche 1 Noteholders**"), on each payment date in respect of the Tranche 1 Notes falling between the period between 30 September 2024 up to (and including the) maturity date, redeem all or some only of the Tranche 1 Notes then outstanding at their principal amount together with interest accrued (calculated based on simple interest methodology, and on a non-compounding basis) to but excluding the date of redemption and in an amount as specified in the RB Transaction Documents until the principal amount of the Tranche 1 Notes is reduced to zero.

Tranche 2 Notes
Unless previously redeemed or purchased and cancelled in full, AARB1 will, having given not less than five (5) business days' notice the noteholders of the Tranche 1 Notes ("**Tranche 2 Noteholders**"), on each payment date in respect of the Tranche 2 Notes falling between the period from (and including) the first payment date in respect of the Tranche 2 Notes to occur after (but not on) the date on which the Tranche 1 Notes have been redeemed in full, to (and including) the payment date on which the Tranche 2 Notes are redeemed in full, pay such specified amount under in the RB Transaction Documents, toward redeeming the Tranche 2 Notes until the principal amount of the Tranche 2 Notes is reduced to zero.

4.3 **Redemption upon Change of Control Early Redemption Event**

Unless previously redeemed or purchased and cancelled in full, upon the occurrence of a Change of Control Early Redemption Event, AARB1 will redeem all (but not some only) of the Revenue Bond, at a redemption price equal to 100 per cent. of the principal amount thereof plus accrued interest on the date of the redemption pursuant to the Change of Control Early Redemption Event and plus such other specified amount as may be specified under the RB Transaction Documents.

"Change of Control Early Redemption Event" means that Tan Sri Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun ceasing to collectively beneficially own, directly or indirectly, at least 15 per cent. in aggregate of the total shares in the share capital of AAB, and the parent of AAB from time to time.

4.4 **Redemption for Taxation Reasons**

If AARB1 or the RB Corporate Guarantors satisfies the trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations, or any change in the application or official interpretation of the laws or regulations, on the next payment date, AARB1 would be required to pay additional amounts as provided or referred to under the RB Transaction Documents for an affected tranche of Revenue Bond ("**Affected Tranche(s)**"); and

(b) the requirement cannot be avoided by AARB1 taking reasonable measures available to it,

AARB1 or the RB Corporate Guarantors may at its option, having given not less than 30 nor more than 60 days' notice to the noteholders such affected tranche of Revenue Bond, redeem all the Revenue Bond comprised in the Affected Tranche(s), but not some only, on the next payment date at their principal amount together with interest accrued to but excluding the date of redemption and in the case of any Tranche 2 Notes, such specified amount under the RB Transaction Documents, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which AARB1 would be obliged to pay such additional amounts, were a payment in respect of such Affected Tranche of Revenue Bond then due.

4.5 **Mandatory redemption upon prepayment of Intercompany Loan**

Tranche 1 Notes
Under the terms of the RB Transaction Documents, AAB is permitted to prepay the intercompany loan corresponding to the Tranche 1 Notes at any time, whether in part or in full, upon not less than 15 nor more than 30 days' notice to AARB1 and the trustee (such notice being a Tranche 1 Loan Prepayment Notice). In the event that a Tranche 1 Loan Prepayment Notice is received by AARB1, then AARB1 must, amongst others, within five (5) business days of receipt of the actual proceeds of the relevant prepayment of the Tranche 1 intercompany loan, apply all such proceeds received toward redemption of the Tranche 1 Notes depending upon the amount proceeds actually received) at their principal amount and payment of interest accrued thereon to the date of redemption.

Tranche 2 Notes:
Under the terms of the RB Transaction Documents, AAB is permitted to prepay the intercompany loan corresponding to the Tranche 2 Notes at any time, whether in part or in full, upon not less than 15 nor more than 30 days' notice to AARB1 and the trustee (such notice being a Tranche 2 Loan Prepayment Notice). In the event that a Tranche 2 Loan Prepayment Notice is received by AARB1, then AARB1 must, amongst others, within five (5) business days of receipt of the actual proceeds of the relevant prepayment of the Tranche 2 intercompany loan, apply all such proceeds received toward redemption of the Tranche 2 Notes only, depending upon the amount proceeds actually received in respect of the Tranche 2 Loan) at such redemption amounts as may be specified in the RB Transaction Documents.

5. Salient Covenants in respect of the Revenue Proceeds

Amongst others, AARB1 and the RB Corporate Guarantors (collectively, the "**Obligors**") have jointly and severally, covenant with the trustee that, for so long as any Revenue Bond remain outstanding, it shall procure compliance by AAB of the following covenants in respect of the Revenue Bond:

(i) AAB undertakes that an amount equal to the aggregate of all SuperApp Revenue Proceeds shall be paid directly into a Designated AOC Operating Account no later than seven (7) days following booking by, or on behalf of, AAB in accordance with terms of the RB Transaction Documents;

(ii) On or prior to the Issue Date, AAB has entered into tripartite agreements with identified counterparties and vendors of AAB in respect of the control and transmission of the SuperApp Revenue proceeds into the Designated AOC Operating Account upon booking by, or on behalf of, AAB.

(iii) AAB undertakes that the aggregate amount of SuperApp Revenue Proceeds paid into the Designated AOC Operating Accounts during each quarter will be at least equal to such specified amount in the RB Transaction Documents (such amount being the "**Minimum SuperApp Proceeds**"), provided that AAB shall not be in breach of this undertaking and the relevant Minimum SuperApp Proceeds Shortfall will not trigger an Event of Default in the event the aggregate amount of SuperApp Revenue Proceeds paid into the Designated AOC Operating Accounts during the immediately prior quarter is less than the Minimum SuperApp Proceeds (the amount of any such shortfall being a "**Minimum SuperApp Proceeds Shortfall**").

(iv) In the case of a Minimum SuperApp Proceeds Shortfall, AAB shall, procure that the aggregate of the credit balances of the Sub-General Accounts during the following quarter is at least equal to the Minimum SuperApp Proceeds Shortfall in respect of that following quarter (such amount being the "**Minimum Sub-General Account Balance**"), provided that, for so long as the aggregate of the cash balance standing to the credit of the Designated AOC Operating Accounts and the Reserve Account (excluding such specified amounts which have been specifically earmarked under the RB Transaction Documents)) is at least equal to such specified minimum amount under the RB Transaction Documents, AAB will have no obligation under this undertaking to procure that the aggregate of the credit balances of the Sub-General Accounts is at least equal to the Minimum Sub-General Account Balance.

(v) If on any relevant test date there has been a Minimum SuperApp Proceeds Shortfall in respect of two consecutive quarters, AAB shall, amongst others, deliver an additional route designation notice identifying and designating additional flight routes ("**Additional Designated Routes**") to be included as Secured Routes, that will, based on performance in the immediately preceding quarter, result in the aggregate amount of SuperApp Revenue Proceeds (taking into account the revenue of such Additional Designated Routes) paid into the Designated AOC Operating Accounts during each subsequent calendar quarter being at least such specified minimum amount in the RB Transaction Documents, the Additional Designated Routes so identified shall be selected by AAB (in its sole discretion) from a list of pre-identified additional designated routes. For the avoidance of doubt, upon the fulfilment of conditions as may be specified under the RB Transaction Documents including where the SuperApp Proceeds during each of the four immediately preceding calendar quarters exceeds such specified sum under RB Transaction Documents, AAB may deliver an excluded route designated notice to the trustee to exclude any previously identified and designated Additional Designated Routes from the list of Secured Routes.

(vi) AAB undertakes that an amount equal to the aggregate of all Revenue Proceeds other than Super App Revenue Proceeds ("**Non-SuperApp Revenue Proceeds**") will be paid into the Sub-General Accounts by no later than the latter of the day falling (A) one business day following booking of the relevant sale and (B) one business day following receipt of such amount by AAB. To facilitate such payment of Non-SuperApp Revenue Proceeds, AAB shall ensure that:

(a) after the issuance of the Revenue Bond, all contracts executed with and/or invoices in respect of Non-SuperApp Revenue Proceeds issued to customers, including travel agents, government agencies and corporates (collectively, "**Third Party Intermediaries"**), require that such amounts are paid directly into the Sub-General Accounts; and

(b) to the extent that there are existing contracts or payment arrangements in respect of Non-SuperApp Revenue Proceeds in place with the Third Party Intermediaries before the Additional Route Designation Notice, all such contracts and payment arrangements shall be amended to require that such amounts are paid directly into the Sub-General Accounts; and

(c) all Non-SuperApp Revenue Proceeds (whether generated by cash, credit card, debit card payment or other payment methods) are deposited directly into the Sub-General Accounts by no later than the latter of the day falling (A) one business day following booking of the relevant sale and (B) one business day following receipt of such amount by AAB.

(vii) To the extent that there is a shortfall in respect of available funds to the cash manager on any payment date prior to any enforcement by the trustee, AAB shall, on or before the third business day immediately preceding each such payment date, transfer an amount from the Sub-General Accounts to the Designated AOC Operating Accounts equal to the lesser of:

(a) such shortfall; and

(b) the aggregate amount of Non-SuperApp Revenue Proceeds that has been paid into the Sub-General Accounts during the quarter ending immediately before that payment date,

as may be specified under the RB Transaction Documents.

6. Salient Events of Default

The terms of the Revenue Bond include events of default which are customary and appropriate for transactions of this nature and subject to an agreed remedy period. These include, but not limited to the following:

(i) if default is made by AARB1 in the payment of any principal or interest due in respect of the Notes, unless (A) such default is caused by administrative or technical error or a disruption event; and (B) payment is made within 3 business days of the date on which such amount was due

(ii) other than in respect of any amounts referred to in paragraph (i) above, if default is made by any party to a RB Transaction Document in the payment of any amount due by it under such RB Transaction Document and that default continues for a period exceeding 30 days;

(iii) if AAB fails to take such action as may be required to maintain the loan to value ratio in respect of the Secured Routes within the relevant cure dates;

(iv) if the Obligors fails to comply with any of its other obligations under the RB Transaction Documents and the failure continues for the period of 30 days after the service by the trustee of notice requiring the same to be remedied;

(v) if (i) any financial indebtedness of the Obligors (excluding any financial indebtedness due and payable in respect of any leasing agreement which is due and payable prior to the issue date of the Revenue Bond) has been declared due and repayable prematurely by reason of an event of default (howsoever described) or (ii) an Obligor fails to make any payment in respect of any financial indebtedness (excluding any financial indebtedness due and payable in respect of any leasing agreement which is due and payable prior to the issue date of the Revenue Bond) on the due date for payment as extended by any originally applicable grace period, provided that it will not be an Event of Default if the amount of the financial indebtedness falling within this paragraph (v)(i) or (v)(ii) is (collectively) less than such specified threshold;

(vi) any final judgment or order from which no further appeal or judicial review is permissible for the payment of money shall be rendered against AARB1 or any Obligor in an amount in excess of such specified threshold individually or in the aggregate for all such final judgments or orders against all such persons (treating any deductibles, self-insurance or retention as not so covered) and shall not be discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order in excess of such specified threshold individually or in the aggregate during which a stay of enforcement of such final judgment or order, irrespective of reason, shall not be in effect;

(vii) an insolvency event occurs in respect of an Obligor or any subsidiary of an Obligor;

(viii) if any security document in respect of the Revenue Bond ceases to be, or is claimed by AARB1, any Obligor or any party to such security document not to be, in full force and effect or any security document does not create a security interest it purports to create;

(ix) if any approval granted by Bank Negara Malaysia to any Obligor in respect of the transactions contemplated by the Transaction Documents is revoked or any conditions of any such approval is breached, and such revocation or breach is continuing for thirty (30) days after written notice thereof has been delivered to any Obligor; and

(x) any Obligor fails to comply with any the specified conditions subsequent under the RB Transaction documents to the issue of the Notes.

SALIENT TERMS OF THE AAAGL SSPA

The salient terms of the AAAGL SSPA as amended by the AAAGL Supplemental SSPA and the AAAGL Second Supplemental SSPA are set out below:

1. Sale and purchase

On and subject to the terms of the AAAGL SSPA, our Company agrees to sell, and AAX agrees to purchase the entire AAAGL Equity Interest (including any forms of capital contribution and any unissued capital).

The AAAGL Equity Interest shall be sold by our Company free from encumbrances and together with all rights and advantages attaching to them as at AAAGL Completion (including the right to receive all dividends and distributions declared, made or paid on or after AAAGL Completion).

2. AAAGL Disposal Consideration

The consideration for the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall be RM3,000,000,000 which is to be satisfied fully by the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 per Consideration Share.

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing AAX Shares, save and except that the holder of the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders of AAX, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

3. AAAGL SSPA Conditions Precedent

3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAAGL SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAAGL Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAAGL Conditions Precedent**"):

(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed Distribution and the Proposed AAAGL Disposal;

(ii) the approval of the non-interested holders of the RCUIDS issued by our Company being obtained for the Proposed Distribution and the Proposed AAAGL Disposal;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAAGL Group ("**AAAGL Target Entity**") for the Proposed Pre-Completion Restructuring, the Proposed Distribution and the Proposed AAAGL Disposal as set out below:-

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

(a) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)[(1)] is not applicable to the Proposed AAAGL Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be)[(1)] is not infringed if the Proposed AAAGL Disposal is carried into effect;

Note:-

(1) Section 54(1) of the MAVCOM Act and/or Section 36T(1) of the CAAM Act (as the case may be) provides that mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.

(b) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(c) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;

(d) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group;

(e) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX; and

(f) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAAGL Target Entities) in favour of lenders/financiers of the AAAGL Target Entities shall be obtained before the AAAGL Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;

(iv) the completion of the Proposed Pre-Completion Restructuring;

(v) the sanction of the High Court of Malaya being obtained for the capital reduction pursuant to the Proposed Distribution;

(vi) the AAAGL Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding the AAAGL Completion Date;

Note:-

(1) Together with the conditions precedent in the AAAGL SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.

(vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX;

(viii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAAGL Disposal;

(ix) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAAGL Disposal as set out below:-

(a) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAAGL Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAAGL Disposal is carried into effect;

(b) Takeover Panel of Securities and Exchange Commission, Thailand in respect of the proposed exemption under the applicable takeover rules in Thailand to be sought by AAX from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by AAX on completion of the Proposed AAAGL Disposal;

(c) Bursa Securities for (1) the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities and (2) the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise (as defined below) on the Main Market of Bursa Securities; and

(d) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;

(x) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's private placement exercise ("**Proposed Pre-Completion Private Placement Exercise**").

"**AAAGL Cut-Off Date**" means –

(i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above); and

(ii) for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above, 60 days after the date of the AAAGL SSPA with an automatic extension for a further period of 60 days,

or such other date as mutually agreed between our Company and AAX in writing.

3.2 If the AAAGL Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAAGL Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAAGL Cut-Off Date or failing agreement to extend, the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.

3.3 Between the date of the AAAGL SSPA and the AAAGL Completion Date, except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAAGL Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to AAAGL Completion with our Company's interest in the AAAGL Equity Interest intact.

"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAAGL Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("**Options**"), PROVIDED THAT, the terms of such Options are as follows:-

(i) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAAGL Completion Date (being the date of grant of the Options);

(ii) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and

(iii) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.

4. Completion of the Proposed AAAGL Disposal

4.1 Completion of the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall take place 1 month following the date on or by which all AAAGL Conditions Precedent have been satisfied, fulfilled and/or waived, other than those AAAGL Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.

4.2 At AAAGL Completion, our Company shall deliver or make available to AAX the following:

(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;

(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAAGL Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;

(iii) the written resignations of each of the directors of the AAAGL Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAAGL Completion Date) from his office as a director to take effect on the date of AAAGL Completion, with acknowledgements signed by each of them;

(iv) certified true copies of the resolutions passed by AAAGL's board of directors;

(v) the statutory books and records of AAAGL and each of the other AAAGL Target Entities, complete and up-to-date and all other records and documents of AAAGL and each of the other AAAGL Target Entities, including but not limited to the original share certificates for shares in the AAAGL Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAAGL Target Entities;

(vi) all assets, machinery, office and other equipment and all other chattels of AAAGL and each of the other AAAGL Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities;

(vii) all financial and accounting records of AAAGL and each of the other AAAGL Target Entities in the possession of the AAAGL Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAAGL Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities;

(viii) all documents of title, certificates and other documents evidencing title to the assets of AAAGL and each of the other AAAGL Target Entities capable of being delivered, including the original share certificates for each of the AAAGL Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAAGL Target Entities; and

(ix) all other papers and documents relating to the AAAGL Target Entities which are in the possession of or under control of our Company.

4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall:

(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(viii) to (ix) above; and

(ii) allot and issue the Consideration Shares and take all necessary steps to issue (and procure its share registrar to issue) the relevant share certificates under a single jumbo certificate for the Consideration Shares to Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") and procure Bursa Depository to credit the Consideration Shares into the Central Depository System accounts of: (i) the entitled shareholders of our Company for the implementation of the Proposed Distribution; and (ii) insofar as that there are any balance Consideration Shares that will not be allotted to any of the entitled shareholders of our Company pursuant to the Proposed Distribution, our Company.

4.4 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect the AAAGL Completion so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for the AAAGL Completion not being later than 1 month after the intended AAAGL Completion Date, but on the basis that such deferral may only occur once; or

(iii) to terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA and save in respect of rights arising out of any antecedent breach of the AAAGL SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAAGL Equity Interest intact.

4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAAGL SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAAGL SSPA) or to claim damages for the breach of the other party.

5. Right to claim for breach of warranties

Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAAGL Completion. In the event the AAAGL Completion does not occur and the AAAGL SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAAGL SSPA.

Nevertheless, the non-defaulting party has the right to terminate the AAAGL SSPA at any time prior to AAAGL Completion in any of the following events:

(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or

(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or

(iii) a Material Adverse Change[(1)] has occurred; or

(iv) any other breach on the part of the defaulting party of the terms of the AAAGL SSPA occurring.

<u>*Note:-*</u>

*(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAAGL Target Entities or AAX and its subsidiaries ("**Purchaser Group**") (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-*

(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);

(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAAGL Target Entities or the Purchaser Group (as the case may be);

(iii) any occurrence, condition, change, event or effect resulting from or relating to:-

(a) the announcement or pendency of the proposed sale and/or purchase of the AAAGL Equity Interest (whichever applicable);

(b) compliance by any of our Company or AAX with the terms of the AAAGL SSPA; and

(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and

(d) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAAGL Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.

6. Indemnities

Our Company shall not be liable in respect of a specific indemnity claim in the AAAGL SSPA (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Target Entities' business prior to completion of the Proposed AAAGL Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAAGL Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such thresholds, our Company shall be liable for the whole amount and not merely the excess over the thresholds. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAAGL Completion.

Our Company will indemnify AAX and hold AAX and AAAGL Target Entities harmless against:

(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAAGL Target Entities after AAAGL Completion) in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAAGL Target Entities before AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAAGL Target Entities in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date;

(iv) any amount recovered against the AAAGL Target Entities in respect of the taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date; and

(v) any costs reasonably incurred by the AAAGL Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date.

7. Limitation of liability

7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAAGL SSPA.

7.2 **Time limitation:** Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-

(i) in the case of any Claim relating to tax matters, within the applicable limitation period stipulated under the relevant laws relating to taxation;

(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA), within 6 years following AAAGL Completion; or

(iii) in the case of any other Claim, within 24 months following AAAGL Completion.

7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix IV, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAAGL Disposal Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.

7.4 **Aggregate minimum claims:** Each of our Company and AAX shall not be liable under the AAAGL SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix IV) unless and until the aggregate amount of all such Claims exceeds 1% of the AAAGL Disposal Consideration (i.e. RM30,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.

<u>*Note:-*</u>

(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.5 **Maximum liability:** The aggregate liability of each of our Company and AAX in respect of all Claims under the AAAGL SSPA shall not exceed:-

(i) 100% of the AAAGL Disposal Consideration (i.e. RM3,000,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and

(ii) 25% of the AAAGL Disposal Consideration (i.e. RM750,000,000)[1] in the case of any other Claim.

Note:-

(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.6 None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.

8. Non-competition and protective covenants

Our Company undertakes that it will not, and will procure that our Group will not, during the Prohibited Period (as defined below):-

(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity in any trade, business or occupation, or in any manner take part in or lend its name, counsel or assistance to any person in any capacity whatsoever, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Target Entities; and

(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,

PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAAGL Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAAGL SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAAGL Target Entities) are the AAB Group.

"**Prohibited Business**" means the current aviation business operations of AAX and the AAAGL Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAAGL Target Entities.

"**Prohibited Period**" means the period commencing on the AAAGL Completion Date and ending on the date falling five (5) years after the AAAGL Completion.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

SALIENT TERMS OF THE AAB SSPA

The salient terms of the AAB SSPA as amended by the AAB Supplemental SSPA and the AAB Second Supplemental SSPA are set out below:

1. Sale and purchase

On and subject to the terms of the AAB SSPA, our Company agrees to sell, and AAX agrees to purchase the entire AAB Equity Interest (including any forms of capital contribution and any unissued capital).

The AAB Equity Interest shall be sold by our Company free from encumbrances (save as disclosed in our Company's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at AAB Completion (including the right to receive all dividends and distributions declared, made or paid on or after AAB Completion).

Note:-

(1) Our Company's disclosure letter dated 25 April 2024 provides that one of the terms of the Revenue Bond requires AAX to charge 49% of the ordinary shares of AAB held by AAX upon AAB Completion to secure the proceeds received from the Revenue Bond.

2. AAB Disposal Consideration

The consideration for the sale and purchase of the AAB Equity Interest under the AAB SSPA shall be RM3,800,000,000 which is to be satisfied by AAX's assumption of our Company's debt due to AAB of RM3,800,000,000 on the AAB Completion Date.

The debt assumption by AAX shall result in the following occurring simultaneously:-

(i) AAB fully releasing our Company from the liability for the payment of the amount owing from our Company to AAB; and

(ii) AAX fully assuming the liability for the payment of the amount owing from our Company to AAB,

by way of the issue of a promissory note from AAX to AAB, which will substitute and cancel the existing promissory note issued by our Company to AAB.

3. AAB SSPA Conditions Precedent

3.1 The obligations of our Company and AAX to consummate the transactions contemplated by the AAB SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAB Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAB Conditions Precedent**"):-

(i) the approval of the non-interested shareholders of our Company being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;

(ii) the approval of the non-interested holders of the RCUIDS being obtained for the Proposed AAB Disposal;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) our Company, our Company's subsidiaries or the relevant entity within the AAB Group ("**AAB Target Entity**") for the Proposed Pre-Completion Restructuring and the Proposed AAB Disposal as set out below:-

SALIENT TERMS OF THE AAB SSPA (CONT'D)

(a) MAVCOM with regards to the proposed change in shareholding of AAB;

(b) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;

(c) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(d) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;

(e) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group;

(f) notification to third parties and financiers/ lenders in respect of certain operational agreements entered into by the Capital A Group and banking facilities granted to the Capital A Group;

(g) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX; and

(h) the approvals and/or consents for the release and/or discharge of any corporate guarantee and/or security provided by our Group (excluding the AAB Target Entities) in favour of lenders/financiers of the AAB Target Entities shall be obtained before the AAB Completion Date. For the avoidance of doubt, our Company and AAX agree that we and AAX shall not be entitled to waive this condition precedent;

(iv) the completion of the Proposed Pre-Completion Restructuring;

(v) the AAB Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding AAB Completion Date;

Note:-

(1) Together with the conditions precedent in the AAB SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Disposals. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the AAX Proposed Private Placement.

(vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAX;

(vii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;

(viii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) AAX or its subsidiaries for the Proposed AAB Disposal as set out below:-

(a) Either:

(A) (1) Agreement between our Company and AAX after consultation with MAVCOM or CAAM or any successor thereof (as the case may be), or (2) confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Disposal; or

(B) A decision issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Disposal is carried into effect;

(b) Bursa Securities for the listing and quotation of new AAX Shares issued pursuant to AAX's Proposed Pre-Completion Private Placement Exercise on the Main Market of Bursa Securities; and

(c) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by our Company and AAX;

(ix) AAX raising RM1,000,000,000 within AAX's financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by AAX and the identified investors in relation to AAX's Proposed Pre-Completion Private Placement Exercise.

"**AAB Cut-Off Date**" means –

(i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for the AAB Condition Precedent referred to in paragraph 3.1(vi) above); and

(ii) for the AAB Condition Precedent referred to in paragraph 3.1(vi) above, 60 days after the date of the AAB SSPA with an automatic extension for a further period of 60 days,

or such other date as mutually agreed between our Company and AAX in writing.

3.2 If the AAB Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAB Cut-Off Date, our Company and AAX may, acting reasonably and by mutual agreement in writing extend the AAB Cut-Off Date or failing agreement to extend, the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) shall lapse and consequently each party thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAB SSPA.

3.3 Between the date of the AAB SSPA and the AAB Completion Date, and except for (a) the Proposed AAAGL Disposal, (b) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAX Shares to be undertaken prior to AAB Completion, (c) the Proposed Pre-Completion Private Placement Exercise and (d) the Proposed Post-Completion Options, AAX agrees that unless the prior written approval of our Company has been obtained, it shall not seek and/or obtain its shareholders' approval for AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of AAX including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, our Company may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to AAB Completion with our Company's interest in the AAB Equity Interest intact.

"**Proposed Post-Completion Options**" means any grant by AAX to third parties of option(s) to subscribe for AAX Shares, comprising of up to 12% of the enlarged issued share capital of AAX as at the AAB Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 4% each ("**Options**"), PROVIDED THAT, the terms of such Options are as follows:-

(iv) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAB Completion Date (being the date of grant of the Options);

(v) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and

(vi) the exercise price of such Options shall be based on the market value of the AAX Shares, at the point of acceptance of the Options by such third parties during the Option Period.

4. Completion of the Proposed AAB Disposal

4.1 Completion of the sale and purchase of the AAB Equity Interest under the AAB SSPA shall take place 1 month following the date on or by which all AAB Conditions Precedent have been satisfied, fulfilled and/or waived other than those AAB Conditions Precedent that by their nature are to be satisfied at completion (and have been satisfied, fulfilled and/or waived at completion) or at such other time as our Company and AAX may mutually agree in writing.

4.2 At AAB Completion, our Company shall deliver or make available to AAX the following:

(i) a certified true copy of the approvals referred to in paragraph 3.1(i) to (iii) above;

(ii) the original instrument of transfer and all other necessary documents duly completed and executed in favour of AAX or its nominee(s) to enable title to the AAB Equity Interest to pass fully and effectively into the name of AAX or its nominee(s) and together with the duly sealed original share certificates in relation thereto;

(iii) the written resignations of each of the directors of the AAB Target Entities nominated by our Company (except for person(s) whom AAX wishes to retain, and notice of such request shall be served to our Company at least seven (7) Business Days prior to the AAB Completion Date) from his office as a director to take effect on the date of AAB Completion, with acknowledgements signed by each of them;

(iv) certified true copies of the promissory note executed by our Company in favour of AAB and the written release of such promissory note executed by AAB in favour of our Company;

(v) certified true copies of the resolutions passed by AAB's board of directors;

(vi) the statutory books and records of AAB and each of the other AAB Target Entities, complete and up-to-date and all other records and documents of AAB and each of the other AAB Target Entities, including but not limited to the original share certificates for shares in the AAB Target Entities, certificate of incorporation, any certificates of incorporation on change of name or re registration, licences, share certificate books, minute books, all unused cheque books and the common seal of the AAB Target Entities;

(vii) all assets, machinery, office and other equipment and all other chattels of AAB and each of the other AAB Target Entities capable of being delivered which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;

(viii) all financial and accounting records of AAB and each of the other AAB Target Entities in the possession of the AAB Target Entities, including but not limited to the accounting books, financial statements, balance sheets of the AAB Target Entities (as may be required by AAX) which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities;

(ix) all documents of title, certificates and other documents evidencing title to the assets of AAB and each of the other AAB Target Entities capable of being delivered, including the original share certificates for each of the AAB Target Entities which shall be deemed delivered upon AAX's representative sighting the same at the office of the AAB Target Entities; and

(x) all other papers and documents relating to the AAB Target Entities which are in the possession of or under control of our Company.

4.3 In exchange for delivery of the documents referred to in paragraph 4.2 above, AAX shall:

(i) deliver a certified true copy of the approvals referred to in paragraph 3.1(vii) to (viii) above; and

(ii) deliver to our Company a certified true copy of the promissory note executed by AAX in favour of AAB.

4.4 If any provision of the completion clause under the AAB SSPA is not fully complied with, AAX, in the case of a default or non-compliance by our Company, or our Company, in the case of a default or non-compliance by AAX, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect the AAB Completion so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for the AAB Completion not being later than 1 month after the intended AAB Completion Date, but on the basis that such deferral may only occur once; or

SALIENT TERMS OF THE AAB SSPA (CONT'D)

(iii) to terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA and save in respect of rights arising out of any antecedent breach of the AAB SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with our Company's interest in the AAB Equity Interest intact.

4.5 Notwithstanding the above, our Company and AAX shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAB SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAB SSPA) or to claim damages for the breach of the other party.

5. Right to claim for breach of warranties

Each of our Company and AAX has a right to claim for breach of warranties by the other party only following and subject to AAB Completion. In the event the AAB Completion does not occur and the AAB SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAB SSPA.

Nevertheless, the non-defaulting party has the right to terminate the AAB SSPA at any time prior to AAB Completion in any of the following events:

(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or

(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or

(iii) a Material Adverse Change[(1)] has occurred; or

(iv) any other breach on the part of the defaulting party of the terms of the AAB SSPA occurring.

Note:

*(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAB Target Entities or the Purchaser Group (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-*

(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);

(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAB Target Entities or the Purchaser Group (as the case may be);

(iii) any occurrence, condition, change, event or effect resulting from or relating to:-

(a) the announcement or pendency of the proposed sale and/or purchase of the AAB Equity Interest (whichever applicable);

(b) compliance by any party with the terms of the AAB SSPA; and

(c) actions made by any of our Company or AAX which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by our Company and AAX in writing; and

(iv) *any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAB Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.*

6. Indemnities

Our Company shall not be liable in respect of a specific indemnity claim in the AAB SSPA (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Target Entities' business prior to completion of the Proposed AAB Disposal and any other specific indemnities as may be mutually agreed by our Company and AAX upon completion of the due diligence exercise on the AAB Target Entities by AAX) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to (1) arbitration and litigation proceedings on shareholder disputes in relation to Big Pay Pte Ltd and (2) ongoing litigation proceedings on taxation involving AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such threshold, our Company shall be liable for the whole amount and not merely the excess over the threshold. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAX to our Company within 24 months following the AAB Completion.

Our Company will indemnify AAX and hold AAX and AAB Target Entities harmless against:

(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAB Target Entities after AAB Completion) in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAB Target Entities before AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAB Target Entities in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date;

(iv) any amount recovered against the AAB Target Entities in respect of the taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date; and

(v) any costs reasonably incurred by the AAB Target Entities in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date.

7. Limitation of liability

7.1 Each of our Company and AAX shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAB SSPA.

7.2 **Time limitation:** Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-

(i) in the case of any Claim relating to tax matters, within the applicable limitation period stipulated under the relevant laws relating to taxation;

(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA), within 6 years following AAB Completion; or

(iii) in the case of any other Claim, within 24 months following AAB Completion.

7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix V, each of our Company and AAX shall not be liable in respect of a Claim in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAB Disposal Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.

7.4 **Aggregate minimum claims:** Each of our Company and AAX shall not be liable under the AAB SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix V) unless and until the aggregate amount of all such Claims exceeds 1% of the AAB Disposal Consideration (i.e. RM38,000,000)[(1)]. Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.

Note:-
(1) The threshold of 1% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.5 **Maximum liability:** The aggregate liability of each of our Company and AAX in respect of all Claims under the AAB SSPA shall not exceed:-

(i) 100% of the AAB Disposal Consideration (i.e. RM3,800,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA); and

(ii) 25% of the AAB Disposal Consideration (i.e. RM950,000,000)[(1)] in the case of any other Claim.

Note:-
(1) The threshold of 25% was arrived at after negotiations between our Company and AAX, having taken into consideration market practices.

7.6 None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by each of our Company and AAX or any of its directors, officers, employees, agents, advisers, representatives or successors in title.

8. Non-competition and protective covenants

Our Company undertakes that it will not, and will procure that our Group will not, during the Prohibited Period (as defined below):-

(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAX) in, either directly or indirectly, in any capacity, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Target Entities; and

(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,

SALIENT TERMS OF THE AAB SSPA (CONT'D)

PROVIDED THAT (1) the covenants under this paragraph 8 shall only take effect following and subject to AAB Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAB SSPA. In this respect, our Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAB Target Entities) are the AAAGL Group.

"**Prohibited Business**" means the current aviation business operations of AAX and the AAB Target Entities, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Capital A Group provided that the Capital A Group does not include the AAB Target Entities.

"**Prohibited Period**" means the period commencing on the AAB Completion Date and ending on the date falling five (5) years after the AAB Completion.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2023

EY
Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

19 September 2024

The Board of Directors
Capital A Berhad
Red Q, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA)
64000 KLIA
Selangor Darul Ehsan

Dear Sirs,

Report on the compilation of pro forma consolidated statement of financial position included in the Circular to Shareholders of Capital A Berhad in relation to the Proposed Disposal of AirAsia Aviation Group Limited ("AAAGL"), Proposed Disposal of AirAsia Berhad ("AAB") and Proposed Distribution (collectively known as the "Proposed Transactions")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Capital A Berhad ("CAB" or the "Company") and its subsidiaries (collectively known as the "Group") prepared by the directors of the Company (the "Directors"). The pro forma consolidated statement of financial position consists of the pro forma consolidated statement of financial position as at 31 December 2023 and related notes as set out in Attachment A.

The applicable criteria on the basis of which the Directors have compiled the pro forma consolidated statement of financial position is in accordance with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Applicable Criteria") which we have stamped for identification purposes.

The pro forma consolidated statement of financial position has been compiled by the Directors to illustrate the impact of the events or transactions as set out in Note 1 of Attachment A on the Group's financial position as at 31 December 2023, as if those transactions or events had taken place on 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the financial year ended 31 December 2023, on which audit reports have been published.

The Directors' responsibility for the pro forma consolidated statement of financial position

The Directors are responsible for compiling the pro forma consolidated statement of financial position on the basis of the Applicable Criteria.

Building a better working world

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm also applies Malaysia Approved Standard on Quality Management and International Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibilities is to express an opinion, as required under Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia, about whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with Malaysian Approved Standards on Assurance Engagements and International Standard on Assurance Engagements, ISAE 3420: *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants and International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statement of financial position on the basis of the Applicable Criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

EY
Building a better working world

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Our responsibilities (contd.)

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regards to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the Applicable Criteria as set out in Note 1 and Note 2 of Attachment A.

Emphasis of matter

We draw attention to Note (e) to Proforma 1 and Notes (a) and (b) to Pro Forma 2 in Attachment A.

Proposed Internal Reorganistion

Note (e) to Proforma 1 describes that, as part of the Proposed Internal Reorganisation, AAB would distribute a total dividend of RM3,468,557,013 to CAB. Such dividend distribution is subject to Lenders' consent which has not been obtained as at the date of this report. For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, it is assumed that AAB obtained consent from its lenders to distribute dividend of RM3,468,557,013 to CAB. However, in the actual event consent is not provided by the lenders, the dividend cannot be paid and the amount owing by CAB to AAB will increase by RM3,468,557,013 upon the completion of Proposed Disposal of AAB to AAX. Consequentially, the shareholders' funds of CAB would be reduced by RM3,468,557,013.

EY
Building a better working world

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Emphasis of matter (contd.)

Proposed Disposal of AirAsia Aviation Group Limited

Note (a) to Pro Forma 2 describes that purchase consideration for the Proposed AirAsia Aviation Group Limited Disposal ("Proposed Disposal of AAAGL") will be settled via the issuance of 2,307,692,307 new shares by AirAsia X Berhad ("AAX"). At the point of the signing of the original conditional share sale and purchase agreement ("SSPA"), AAX Shares have been assigned a price of RM1.30 per share (based on 5-day volume weighted average price ("VWAP") of AAX Share price up to and including the latest practical date ("LPD") on 15 April 2024) giving a total purchase consideration of RM3,000,000,000. Subsequently on 26 July 2024, CAB, AAG and AAX signed a conditional supplemental share sale and purchase agreement ("SSSPA") whereby AAG novates the acquisition of AAAGL to AAX. All terms and conditions stated in the original SSPA dated 25 April 2024 between CAB and AAG remain consistent with the SSSPA except for the removal of the AAX's internal restructuring in its entirety in relation to the share exchange between AAX and AAG.

For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, the purchase consideration was illustrated at RM3,046,153,845 based on the issue price of AAX Shares of RM1.32 per share, which was determined based on the 5-day VWAP of AAX Share price up to and including the LPD on 30 August 2024 as a proxy. However, in the event the market price of AAX Shares falls below RM1.32 per share on the completion date of the Proposed Disposal of AAAGL, the fair value of the purchase consideration for the Proposed Disposal of AAAGL will fall below RM3,046,153,845. Similarly, should the market price of AAX Shares increased above RM1.32 per share on the completion date of the Proposed Disposal of AAAGL, the fair value of the purchase consideration for the Proposed Disposal of AAAGL will be higher than RM3,046,153,845.

As such, the actual gain or loss on the Proposed Disposal of AAAGL will depend on the market price of AAX Shares at date of completion of the Proposed Disposal of AAAGL and may be materially different from what is envisaged in the Pro Forma Consolidated Statement of Financial Position.

Note (b) to Pro Forma 2 further describes that the Proposed Distribution of AAX Shares to the entitled shareholders of the Company will entail a distribution of fixed number of 1,692,307,692 AAX Shares. At the point of the signing of the original SSPA, AAX Shares have been assigned a price of RM1.30 per share (based on 5-day VWAP of AAX Share price up to and including the LPD on 15 April 2024) resulting in a total distribution to shareholders of the Company of approximately RM2,200,000,000. Subsequently on 26 July 2024, CAB, AAG and AAX signed a conditional SSSPA whereby AAG novates the acquisition of AAAGL to AAX. All terms and conditions stated in the original SSPA dated 25 April 2024 between CAB and AAG remain consistent with the SSSPA except for the removal of the AAX's internal restructuring in its entirety in relation to the share exchange between AAX and AAG.

Building a better working world

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Emphasis of matter (contd.)

Proposed Disposal of AirAsia Aviation Group Limited (contd.)

For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, the Proposed Distribution is calculated based on RM1.32 per share, using the 5-day VWAP of AAX Share price up to and including the LPD on 30 August 2024 as a proxy. Accordingly, the Proposed Distribution is illustrated at RM2,233,846,153. Any increase or decrease in market share price of AAX Shares above or below RM1.32 per share will affect the amount of the Proposed Distribution to the entitled shareholders of the Company on the entitlement date.

Therefore, the actual amount to be distributed pursuant to the Proposed Distribution will depend on the market price of AAX Shares on entitlement date and may be materially different from what is envisaged in the Pro Forma Consolidated Statement of Financial Position.

Due to the significance of these matters, it is in our judgment that these matters are of such importance that it is fundamental to users' understanding of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023. Our opinion is not modified in respect of this matter.

Other matters

This report is issued for the sole purpose of complying with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia in connection with the Proposed Transactions. Our work had been carried out in accordance with Malaysia Approved Standards on Assurance Engagements, International Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Transactions as described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the Proposed Transactions.

Yours faithfully,

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

Low Khung Leong
02697/01/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
19 September 2024

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Attachment A

Capital A Berhad

Notes to the pro forma consolidated statement of financial position as at 31 December 2023

1. Introduction

The pro forma consolidated statement of financial position as at 31 December 2023 of Capital A Berhad (the "Company" or "CAB") and its subsidiaries (collectively known as the "Group"), for which the Directors are solely responsible, has been prepared for illustration purposes only in accordance with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia for inclusion in the Circular to shareholders of CAB. The pro forma consolidated statement of financial position has considered the effects of the following matters/transactions:

a) Proposed Internal Reorganisation

The Proposed Internal Reorganisation encompasses the following:

(i) Proposed assignment of debts totaling RM1,730,000,000 between AAB, AAAGL, AAI, IAA and CAB. Arising from the assignment of debts, the following effects are illustrated:

a) Assignment of the amount due to AAB by AAI and IAA of RM1,730,000,000 to AAAGL;
b) Assignment of the debts due from AAAGL arising from (a) above of RM1,730,000,000 to CAB;
c) Waiver by CAB of the amount due from AAAGL of RM2,378,000,000. Resulting from this, AAAGL will recognise the waiver by CAB as capital contribution; and
d) Declaration of dividend of RM2,378,000,000 by AAB from its 2023 profits. Pursuant to the loan agreements entered into between AAB and its lenders, AAB shall not declare, make or pay any dividend if there are still outstanding amounts owing by AAB to the lenders. AAB intends to obtain consent from its lenders to distribute these dividends. As at the date of this Pro Forma Consolidated Statement of Financial Position, AAB has not obtained the required consent from its lenders. For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, it is assumed that AAB obtained the consent from its lenders to distribute dividend of RM2,378,000,000 to CAB. However, in the actual event consent is not provided by the lenders, the dividend cannot be paid and an amount owing by CAB to AAB will increase by RM2,378,000,000 upon the completion of Proposed Disposal of AAB to AAX. Consequentially, the shareholders' funds of CAB would be reduced by RM2,378,000,000.

(ii) Proposed acquisition of 57,072,850 shares in AirAsia X Berhad ("AAX") by CAB from AAB based on the fair value of AAX Shares ("Proposed Acquisition of AAX Shares by CAB");

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

1. Introduction (contd.)

a) Proposed Internal Reorganisation (cont'd.)

The Proposed Internal Reorganisation encompasses the following (cont'd.):

(iii) Acquisition of 100% equity interest in AA Com Travel Philippines Inc ("AA COM Philippines") by AAAGL for a cash consideration of RM872,000 (equivalent to approximately Peso 10.5 million) from CAB which was completed on 27 March 2024; and

(iv) Proposed novation of investment in perpetual capital securities from AAB to AAAGL for a consideration of RM1,090,577,013. Arising from the novation, the following effects are illustrated:

a) Assignment of the amount due from AAAGL arising from the novation of the investment in perpetual capital securities of RM1,090,577,013 to CAB;
b) Waiver by CAB of the amount due from AAAGL of RM1,090,577,013. Resulting from this, AAAGL will recognise the waiver by CAB as capital contribution;
c) Declaration of dividend of RM1,090,577,013 by AAB from its 2023 profits. Pursuant to the loan agreements entered into between AAB and its lenders, AAB shall not declare, make or pay any dividend if there are still outstanding amounts owing by AAB to the lenders. AAB intends to obtain consent from its lenders to distribute these dividends. As at the date of this Pro Forma Consolidated Statement of Financial Position, AAB has not obtained the required consent from its lenders. For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, it is assumed that AAB obtained the consent from its lenders to distribute dividend of RM1,090,577,013 to CAB. However, in the actual event consent is not provided by the lenders, the dividend cannot be paid and an amount owing by CAB to AAB will increase by RM1,090,577,013 upon the completion of Proposed Disposal of AAB to AAX. Consequentially, the shareholders' funds of CAB would be reduced by RM1,090,577,013.

b) Proposed Disposal of AAAGL

The Proposed Disposal of 100% equity interest in AAAGL and its subsidiaries ("AAAGL group") to AirAsia X Berhad ("AAX") to be satisfied by issuance of 2,307,692,307 new shares ("Consideration Shares") in AAX ("Proposed Disposal of AAAGL").

c) Proposed Distribution

CAB proposes a capital distribution of its share capital via the distribution of 1,692,307,692 Consideration Shares in AAX to the shareholders of CAB on an entitlement date to be determined later.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants, Kuala Lumpur.
For identification purpose only.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

1. Introduction (contd.)

d) Proposed Disposal of AAB

The Proposed Disposal of 100% equity interest in AAB and its subsidiaries ("AAB group") to AAX for a cash consideration of RM3,800,000,000.

The Proposed Disposal of AAAGL, Proposed Distribution and Proposed Disposal of AAB are collectively known as the "Proposed Transactions".

2. Basis of preparation

The pro forma consolidated statement of financial position as at 31 December 2023 have been compiled based on the audited financial statements of the Group for the financial year ended 31 December 2023 and in a manner consistent with the format of the financial statements and the accounting policies adopted by the Group. The audited financial statements of the Group for the financial year ended 31 December 2023 were prepared in accordance with Malaysia Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The pro forma consolidated statement of financial position as at 31 December 2023 have been prepared for illustrative purposes to show the effects of the Proposed Transactions as described above, with the assumption that these transactions were completed on 31 December 2023. The pro forma consolidated statement of financial position is not necessarily indicative of the financial position that would have been attained had the Proposed Transactions actually occurred on that date. Accordingly, such information, because of its nature, may not be reflective of the actual financial position of the Group and does not purport to predict the future financial position of the Group.

The pro forma consolidated statement of financial position as at 31 December 2023 is presented in RM and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The pro forma consolidated statement of financial position as at 31 December 2023 of CAB were adopted and approved by the Board of Directors on 19 September 2024.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants, Kuala Lumpur.
For identification purpose only.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma consolidated statement of financial position

	Audited as at 31.12.2023 RM'000	Adjustment for Proposed Internal Reorganisation RM'000	Pro Forma 1 RM'000	Adjustment for Proposed Disposal of AAAGL RM'000	Adjustment for Proposed Distribution RM'000	Pro Forma 2 RM'000	Adjustment for Proposed Disposal of AAB RM'000	Pro Forma 3 RM'000
Non-current assets								
Property, plant and equipment	1,574,711	-	1,574,711	(819,066)	-	755,645	(263,044)	492,601
Right of use assets	12,460,280	-	12,460,280	(5,398,005)	-	7,062,275	(6,768,547)	293,728
Finance lease receivables	158,000	-	158,000	-	-	158,000	(158,000)	-
Investment in associates	435,760	-	435,760	-	-	435,760	(435,760)	-
Investment securities	189,984	(31,390)	158,594	3,040,384	(2,233,846)	965,132	(132)	965,000
Intangible assets	4,624,514	-	4,624,514	(4,371,862)	-	252,652	-	252,652
Deferred tax assets	1,407,161	-	1,407,161	(268,225)	-	1,138,936	(1,134,167)	4,769
Receivables and prepayments	4,409,803	-	4,409,803	(611,065)	-	3,798,738	(3,798,738)	-
Investment property	67,311	-	67,311	(67,311)	-	-	-	-
Deposits on aircraft purchase	617,412	-	617,412	-	-	617,412	(617,412)	-
Derivative financial instruments	11,383	-	11,383	-	-	11,383	-	11,383
	25,956,319	(31,390)	25,924,929	(8,495,150)	(2,233,846)	15,195,933	(13,175,800)	2,020,133
Current assets								
Inventories	294,590	-	294,590	(137,473)	-	157,117	(18,757)	138,360
Receivables and prepayments	1,266,665	-	1,266,665	3,436,452	-	4,703,117	(4,504,328)	198,789
Finance lease receivables	-	-	-	-	-	-	-	-
Amounts due from associates	25,440	-	25,440	(1,638)	-	23,802	(1,135)	22,667
Amounts due from related parties	130,129	-	130,129	(1)	-	130,128	(7,584)	122,544
Amounts due from AAX Group	24,511	-	24,511	576,602	-	601,113	(370,045)	231,068
Deposits, bank and cash balances	702,818	-	702,818	(213,278)	-	489,540	(176,250)	313,290
Tax recoverable	8,334	-	8,334	35,389	-	43,723	(8,255)	35,468
	2,498,832	-	2,498,832	3,696,053	-	6,194,885	(5,132,699)	1,062,186
Less: Current liabilities								
Trade and other payables	4,206,264	-	4,206,264	(1,850,728)	-	2,355,536	(1,685,410)	670,126
Current portion of long term debentures	190,800		190,800	(190,800)	-	-	-	-
Aircraft maintenance provisions and liabilities	1,782,717	-	1,782,717	(402,436)	-	1,380,281	(1,380,281)	-
Sales in advance	2,025,298	-	2,025,298	(1,205,688)	-	819,610	(809,091)	10,519
Amounts due to associates	7,327	-	7,327	(5,762)	-	1,565	(1,565)	-
Amounts due to related parties	147,907	-	147,907	(56,839)	-	91,068	(91,068)	-
Amounts due to AAX Group	422,650	-	422,650	(75,970)	-	346,680	(346,680)	-
Borrowings	862,308	-	862,308	(430,101)	-	432,207	(147,024)	285,183
Lease liabilities	5,438,692	-	5,438,692	(1,588,786)	-	3,849,906	(3,842,987)	6,919
Provision of taxation	83,641	-	83,641	(83,641)	-	-	-	-
Derivative financial instruments	467	-	467	(467)	-	-	-	-
	15,168,071	-	15,168,071	(5,891,218)	-	9,276,853	(8,304,106)	972,747
Net current (liabilities)/assets	(12,669,239)	-	(12,669,239)	9,587,271	-	(3,081,968)	3,171,407	89,439
Non-current liabilities								
Trade and other payables	66,094	-	66,094	(21,372)	-	44,722	(38,761)	5,961
Non-current portion of long term debentures	357,510	-	357,510	(357,510)	-	-	-	-
Aircraft maintenance provisions and liabilities	5,410,700	-	5,410,700	(230,154)	-	5,180,546	(5,180,546)	-
Deferred tax liabilities	547,107	-	547,107	(110,346)	-	436,761	(400,082)	36,679
Borrowings	3,580,599	-	3,580,599	(490,007)	-	3,090,592	(2,032,798)	1,057,794
Lease liabilities	13,750,088	-	13,750,088	(3,338,698)	-	10,411,390	(10,027,140)	384,250
Provision for retirement benefits	199,719	-	199,719	(199,534)	-	185	-	185
	23,911,817	-	23,911,817	(4,747,621)	-	19,164,196	(17,679,327)	1,484,869
	(10,624,737)	(31,390)	(10,656,127)	5,839,742	(2,233,846)	(7,050,231)	7,674,934	624,703
Capital and reserves								
Share capital	8,711,742	-	8,711,742	-	(2,233,846)	6,477,896	-	6,477,896
Merger deficit	(5,507,594)	-	(5,507,594)	-	-	(5,507,594)	5,507,594	-
Other reserves	138,642	(31,390)	107,252	21,082	-	128,334	(18,258)	110,076
Foreign exchange reserve	217,047	-	217,047	(53,833)	-	163,214	(223,091)	(59,877)
(Accumulated losses)/Retained earnings	(12,321,978)	-	(12,321,978)	4,034,593	-	(8,287,385)	2,408,689	(5,878,696)
Total shareholders' (deficit)/funds	(8,762,141)	(31,390)	(8,793,531)	4,001,842	(2,233,846)	(7,025,535)	7,674,934	649,399
Non-controlling interests	(1,862,596)	-	(1,862,596)	1,837,900	-	(24,696)	-	(24,696)
Total equity	(10,624,737)	(31,390)	(10,656,127)	5,839,742	(2,233,846)	(7,050,231)	7,674,934	624,703

9

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants, Kuala Lumpur.
For identification purpose only.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

3. Effects on the pro forma consolidated statement of financial position (contd.)

Pro Forma 1:

The Pro Forma 1 incorporates the effects of the Proposed Internal Reorganisation.

As part of the Proposed Internal Reorganisation, CAB intends to acquire 57,072,850 shares in AAX from AAB. For illustrative purposes, the acquisition of AAX Shares by CAB is presented at the market price of AAX Shares as of 31 December 2023, amounting to RM106,726,230.

Subsequent to the Proposed Acquisition of AAX Shares, a fair value loss of RM31,390,068 is recognised in the statement of other comprehensive income. This is to align the value of AAX Shares to the same value ascribed to AAX Shares pursuant to the Proposed Disposal of AAAGL at RM1.32 per share, determined using the 5-day volume weighted average price (VWAP) of AAX Shares up to and including the latest practicable date (LPD) on 30 August 2024.

For illustrative purposes, the pro forma consolidated statement of financial positions of AAAGL group and AAB group have incorporated the following effects from the Proposed Internal Reorganisation:

a) Assignment of amount due to AAB by AAI and IAA of RM1,730,000,000 to AAAGL;
b) Novation of perpetual capital securities from AAB to AAAGL for a consideration of RM1,090,577,013;
c) Assignment of the debts due from AAAGL arising from (a) and (b) above of RM2,820,577,013 to CAB;
d) Waiver by CAB of the amount due from AAAGL RM3,468,577,013. Resulting from this, AAAGL will recognise the waiver by CAB as capital contribution; and
e) Declaration of dividend of RM3,468,577,013 by AAB from its 2023 profits. Pursuant to the loan agreements entered into between AAB and its lenders, AAB shall not declare, make or pay any dividend if there are still outstanding amounts owing by AAB to the lenders. AAB intends to obtain consent from its lenders to distribute these dividends. As at the date of this Pro Forma Consolidated Statement of Financial Position, AAB has not obtained the required consent from its lenders. For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, it is assumed that AAB obtained the consent from its lenders to distribute dividend of RM3,468,557,013 to CAB. However, in the actual event consent is not provided by the lenders, the dividend cannot be paid and the amount owing by CAB to AAB will increase by RM3,468,557,013 upon the completion of Proposed Disposal of AAB to AAX. Consequentially, the shareholders' funds of CAB would be reduced by RM3,468,557,013.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

3. Effects on the pro forma consolidated statement of financial position (contd.)

Pro Forma 1 (contd.):

For illustrative purposes, the pro forma consolidated statement of financial position of AAB group after incorporating the effects of the Proposed Internal Reorganisation are as follows (contd.):

The Pro Forma 1 incorporates the effects of the Proposed Internal Reorganisation (contd.).

(a) AAAGL group

The adjusted net liabilities of AAAGL group after incorporating the effects of the Proposed Internal Reorganisation are as follows:

	RM'000
Net liabilities of AAAGL group as per accountants report as at 31 December 2023	(5,187,037)
Add: Net assets adjustment arising from acquisition of AA COM Philippines	356
Adjustments relating to the Proposed Internal Reorganisation (Pro Forma 1):	
Capital contribution from CAB	3,468,577
Elimination of perpetual capital securities	(1,090,577)
Net liabilities of AAAGL group as at 31 December 2023 after incorporating effects of Proposed Internal Reorganisation	(2,808,681)

(b) AAB group

The adjusted net liabilities of AAB group after incorporating the effects of the Proposed Internal Reorganisation are as follows:

	RM'000
Net liabilities of AAB group as per accountants report as at 31 December 2023	(1,504,694)
Adjustments relating to the Material Subsequent Events (Pro Forma 1):	
Adjustment relating to Proposed Internal Reorganisation	
Reversal of impairment of perpetual capital securities	1,090,577
Proposed dividend to CAB from 2023 profits	(3,468,577)
Net liabilities of AAB group as at 31 December 2023 after incorporating effects of Proposed Internal Reorganisation	(3,882,694)

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants, Kuala Lumpur.
For identification purpose only.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

3. Effects on the pro forma consolidated statement of financial position (contd.)

Pro Forma 2:

The Pro Forma 2 incorporates the effects of Pro Forma 1 and the effect of the Proposed Disposal of AAAGL and Proposed Distribution.

a) Based on the conditional share sale purchase agreement ("SSPA") dated 25 April 2024, the Group intends to dispose 100% equity interest in AAAGL to AirAsia Group Sdn Bhd ("AAG") for a consideration to be satisfied via the issuance of 2,307,692,307 AAG shares ("Consideration Shares"). At the point of the signing of the original conditional SSPA, AAX Shares have been assigned a price of RM1.30 per share (based on 5-day volume weighted average price ("VWAP") of AAX Share price up to and including the latest practical date ("LPD") on 15 April 2024) giving a total purchase consideration of RM3,000,000,000. Subsequently on 26 July 2024, CAB, AAG and AAX signed a conditional supplemental share sale and purchase agreement ("SSSPA") whereby AAG novates the acquisition of AAAGL to AAX. All terms and conditions stated in the original SSPA dated 25 April 2024 between CAB and AAG remain consistent with the SSSPA except for the removal of the AAX's internal restructuring in its entirety in relation to the share exchange between AAX and AAG.

   For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, the purchase consideration was illustrated at RM3,046,153,845 based on the issue price of AAX Shares of RM1.32 per share, which was determined based on the 5-day volume weighted average price ("VWAP") of AAX Share price up to and including the latest practical date ("LPD") on 30 August 2024 as a proxy. However, in the event the market price of AAX Shares falls below RM1.32 per share on the completion date of the Proposed Disposal of AAAGL, the fair value of the purchase consideration for the Proposed Disposal of AAAGL will fall below RM3,046,153,845. Similarly, should the market price of AAX Shares increased above RM1.32 per share on the completion date of the Proposed Disposal of AAAGL, the fair value of the purchase consideration for the Proposed Disposal of AAAGL will be higher than RM3,046,153,845.

   There is no assurance that the market price of the AAX Shares will maintain at RM1.32 per share on the completion date of the Proposed Disposal of AAAGL. The market price of the AAX Shares is influenced by, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions. In addition, the performance of the Malaysian share market (where the AAX Shares is listed) is dependent on the economic and political conditions in Malaysia as well as external factors such as, among others, the performance of the world bourses and flows of foreign funds.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants, Kuala Lumpur.
For identification purpose only.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

3. Effects on the pro forma consolidated statement of financial position (contd.)

Pro Forma 2 (contd.):

The Pro Forma 2 incorporates the effects of Pro Forma 1 and the effect of the Proposed Disposal of AAAGL and Proposed Distribution (contd.).

a) (contd.)

As such, the actual gain or loss on the Proposed Disposal of AAAGL will depend on the market price of AAX Shares at date of completion of the Proposed Disposal of AAAGL and may be materially different from what is envisaged in the Pro Forma Consolidated Statement of Financial Position.

b) The Company proposes to reduce its issued and paid-up share capital via a distribution of fixed number of 1,692,307,692 AAX Shares to the shareholders of the Company. The Proposed Distribution will result in the deconsolidation of AAAGL and its subsidiaries as the Group's interest in AAX will be diluted from 64.97% to 18.48%. It is assumed that the Group will not be able to exercise significant influence in AAX and therefore recognises AAX as an investment in securities (under fair value through other comprehensive income).

At the point of the signing of the original SSPA, AAX Shares have been assigned a price of RM1.30 per share (based on 5-day VWAP of AAX Share price up to and including the LPD on 15 April 2024) resulting in a total distribution to shareholders of the Company of approximately RM2,200,000,000. Subsequently on 26 July 2024, CAB, AAG and AAX signed a conditional SSSPA whereby AAG novates the acquisition of AAAGL to AAX. All terms and conditions stated in the original SSPA dated 25 April 2024 between CAB and AAG remain consistent with the SSSPA except for the removal of the AAX's internal restructuring in its entirety in relation to the share exchange between AAX and AAG.

For the purpose of illustration in the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, the Proposed Distribution is calculated based on RM1.32 per share, using the 5-day VWAP of AAX Share price up to and including the LPD on 30 August 2024 as a proxy. Accordingly, the Proposed Distribution is illustrated at RM2,233,846,153. Any increase or decrease in market share price of AAX Shares above or below RM1.32 per share will affect the amount of the Proposed Distribution to the entitled shareholders of the Company on the entitlement date. Therefore, the actual amount to be distributed pursuant to the Proposed Distribution will depend on the market price of AAX Shares on entitlement date and may be materially different from what is envisaged in the Pro Forma Consolidated Statement of Financial Position.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

3. Effects on the pro forma consolidated statement of financial position (contd.)

Pro Forma 2 (cont'd.):

The Pro Forma 2 incorporates the effects of Pro Forma 1 and the effect of the Proposed Disposals of AAAGL group and Proposed Distribution (cont'd.)

The effect from the Proposed Distribution to CAB's investment in AAX is as follows:

	No. of AAX Shares	RM'000
AAX Shares owned by CAB after the Proposed Acquisition of AAX Shares by CAB	57,072,850	75,336
Fair value of purchase consideration to be received from the Proposed Disposal of AAAGL	2,307,692,307	3,046,154
Total AAX Shares after the Proposed Disposal of AAAGL	2,364,765,157	3,121,490
Less: Proposed Distribution	(1,692,307,692)	(2,233,846)
Remaining AAX Shares retained by CAB	672,457,465	887,644

It is assumed that CAB will obtain all relevant approvals for the capital reduction arising from the Proposed Distribution.

The Proposed Disposal of AAAGL and the Proposed Distribution will have the following effect to CAB's shareholder equity:

	RM'000
Fair value of purchase consideration for the Proposed Disposal of AAAGL	3,046,154
Add: Net liabilities of AAAGL and its subsidiaries	2,808,681
Less: Derecognition of goodwill in AAAGL in CAB	(7,334)
Less: Transaction costs	(7,759)
Net effect from disposal of AAAGL prior to Proposed Distribution	5,839,742
Less: Proposed Distribution	(2,233,846)
Net effect from disposal of AAAGL after the Proposed Distribution	3,605,896

The transaction costs in relation to the Proposed Disposal of AAAGL are estimated at RM7,759,000, which shall be charged out to the profit or loss of the Group accordingly.

The balances outstanding after the Proposals between AAX and CAB will be as follows:

	RM'000
Net balance due to AAX from CAB as at Pro forma 1	(398,139)
Crystalisation of amount due to CAB from AAAGL subsequent to the Proposed Disposal of AAAGL	652,572
Net balance due from AAX to CAB as at Pro forma 2	254,433

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF CAPITAL A BERHAD AND THE NOTES THEREON

Attachment A

3. Effects on the pro forma consolidated statement of financial position (contd.)

Pro Forma 3:

The Pro Forma 3 incorporates the effects of Pro Forma 2 and the Proposed Disposal of AAB group.

Based on the conditional share sale purchase agreement dated 25 April 2024 (as supplemented by SSSPA dated 26 July 2024), the Group intends to dispose AAB and its subsidiaries to AAX for a cash consideration of RM3,800,000,000.

.

The effect of the Proposed Disposal of AAB is as follows:

	RM'000
Cash consideration for the Proposed Disposal of AAB	3,800,000
Add: Net liabilities of AAB	3,882,694
Less: Transaction cost	(7,759)
Gain on Proposed Disposal of AAB	7,674,935

The Proposed Disposal of AAB will result in the realisation of the merger deficit of RM5,507,594 that arose from the acquisition of AAB by CAB in prior years. Accordingly, the entire merger deficit will be reclassified to accumulated losses in CAB.

The balances outstanding after the Proposals between AAX and CAB will be as follows:

	RM'000
Net balance due from AAX to CAB as at Pro forma 2	254,433
Crystalisation of amount due to AAB from CAB subsequent to the Proposed Disposal of AAB	(3,823,365)
Amount due from AAX for the Proposed Disposal of AAB	3,800,000
Net balance due from AAX to CAB as at Pro forma 3	231,068

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants, Kuala Lumpur.
For identification purposes only.

Deloitte.

Deloitte Corporate Advisory Services Sdn. Bhd. (199901012610)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

P.O. Box 11151
50736 Kuala Lumpur
Malaysia

Tel: +60 3 7610 8888
Fax: +60 3 7726 8986
www.deloitte.com/my

25 July 2024

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

Attention: Ms. Pattra Boosarawongse, Group Chief Financial Officer

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

Attention: Encik Benyamin Ismail, Chief Executive Officer

VALUATION LETTER – INDEPENDENT VALUATION OF 100% EQUITY INTERESTS IN AIRASIA BERHAD, AIRASIA AVIATION GROUP LIMITED AND ITS SUBSIDIARIES

1.0 Introduction

Deloitte Corporate Advisory Services Sdn. Bhd. ("DCAS") has been engaged by Capital A Berhad ("Capital A") and AirAsia X Berhad ("AAX") (hereinafter referred to as the "Clients") to perform an independent valuation ("Services") on AirAsia Berhad ("AAB"), AirAsia Aviation Group Limited ("AAAGL") and its subsidiaries ("AAAGL Group") (collectively known as the "Targets") in connection with a proposed internal restructuring of Capital A and its subsidiaries, and AAX ("Proposed Transaction") in accordance with the terms of the engagement letter dated 21 October 2022 ("Engagement Letter"), the addendums dated 29 March 2023 and 01 April 2024 ("Addendums") and a letter of representation on the assumption dated 24 July 2024. The proposed internal restructuring entails the acquisition by AAX of 100% equity interests in AAAGL and AAB held by Capital A.

For the purposes of this valuation letter ("Valuation Letter" or "Letter"), the AAAGL Group comprises AAAGL, PT AirAsia Indonesia TBK ("AAID"), PT Indonesia AirAsia ("IAA"), AirAsia Inc. ("AAI"), Philippines AirAsia Inc. ("PAA"), Asia Aviation Public Company Limited ("AAV") and Thai AirAsia Company Limited ("TAA").

2.0 Terms of Reference

DCAS has been appointed to conduct an independent valuation of the Targets in connection with the Proposed Transaction.

This Valuation Letter is prepared for inclusion in the circular to the shareholders of Capital A and AAX for the Proposed Transaction ("Purpose" or "Circular"), which has been updated subsequent to the initial valuation letter dated 15 April 2024 to consider the audited financial statements of the Targets and the latest plan for the internal reorganisation and capitalisation of debts.

The financial year end ("FY") of the Targets is 31 December and the agreed valuation date is 31 December 2023 ("Valuation Date"). The latest financial statements used for the Services are the audited financial statements ("AFS") for the financial year ended 31 December 2023 provided by the management of the Clients ("Management").

Deloitte.

2.0 Terms of Reference (cont'd)

Save and except for the Purpose stated above, this Valuation Letter cannot be used or relied upon for any other purpose and/or by any other person including, without limitation, any of the shareholders, employees, directors as individuals, investors or any other person.

For the avoidance of doubt, the Clients are solely responsible for determining the ultimate price to be paid with respect to the Proposed Transaction. DCAS will not render any advice as to whether, or at what price the Proposed Transaction should be entered into.

This Valuation Letter and the data herein are not intended to form the only basis of any decisions in relation to the Proposed Transaction. Furthermore, this Letter does not contain all the information necessary to fully evaluate the Proposed Transaction.

In addition to the Services, other Deloitte network firms in Malaysia are also providing advisory services to Capital A and AAX, and we are not aware of any conflicts to the Services. Other than the existing relationship as set out above, DCAS was not involved in any other aspects pertaining to the Proposed Transaction. DCAS does not, by this Letter or otherwise, advise, recommend, evaluate, comment or form any judgment or opinion on the legal, commercial or financial rationale, merits or risks in relation to the Proposed Transaction or the relative merits of the Proposed Transaction as compared to any alternative transactions previously considered by the Clients or that otherwise may be available to the Clients in the future or on the future growth prospects or earnings potential of the Targets. Such advice, recommendations, evaluations, comments, judgements or opinions are and remain the sole responsibility of the Board of Directors of both Capital A and AAX, and other advisors engaged for the Proposed Transaction.

The Clients have confirmed that to the best of their knowledge and belief, the information in relation to the financials, operations and any other information of the Targets provided to DCAS are accurate in all material respects, that the Clients have made available to DCAS all significant information relevant to the Services of which the Clients have knowledge and that they are not aware of any material matters relevant to DCAS' terms of reference which have been excluded. The Clients have read this Valuation Letter and agreed to DCAS' key bases and assumptions in connection with the Services.

DCAS does not guarantee or warrant the achievability of the financial projections provided by the Targets. Financial projections are inherently uncertain and are based on estimations of future events that cannot be assured and could be based on certain assumptions that may not materialise. Accordingly, actual results can be significantly different from those projected. Hence, the Services may be materially or adversely affected should the actual results differ from the bases and assumptions which the Services were based upon.

- The rest of this page has been intentionally left blank -

Deloitte.

3.0 Background Information of the Targets and AAX

The proposed internal restructuring entails the acquisition by AAX of 100% equity interests in AAAGL and AAB held by Capital A.

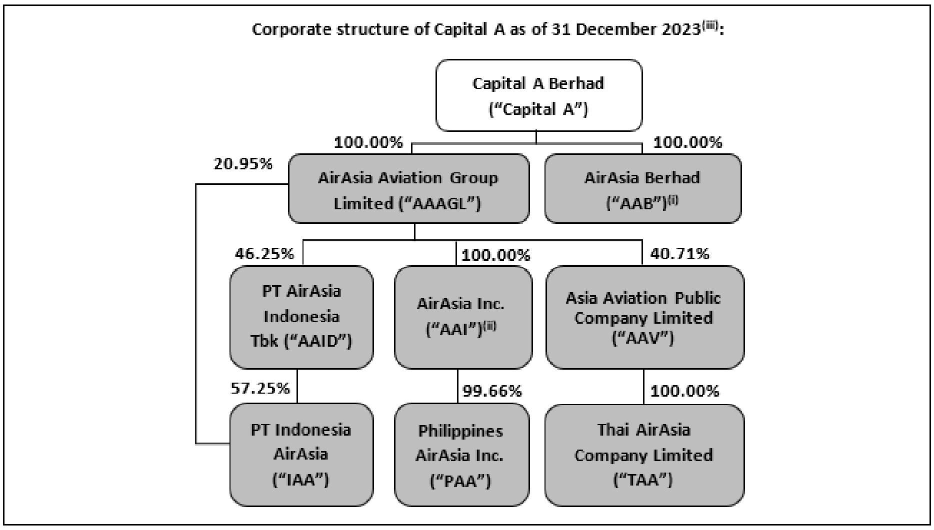
Capital A is an investment holding company with a portfolio of synergistic travel and lifestyle businesses; AAX is a medium to long-haul airline operating primarily in the Asia-Pacific region.

For the purposes of the Proposed Transaction, DCAS has been engaged to perform an independent valuation of AAAGL and AAB, which represents the aviation business of Capital A. AAAGL has equity ownership in three investment holding companies, namely AAID, AAI and AAV. The intermediate holding companies in turn are invested in IAA, PAA and TAA. These companies are collectively known as the Targets.

IAA, PAA, TAA and AAB are low-cost carriers which provide air transportation services spanning domestic and international routes, mainly focusing on short-haul flights (hereafter also referred to as airline operating companies or AOC).

The corporate structure of the Targets as of the Valuation Date are as outlined in Diagram 1 below.

Diagram 1 – Group structure of companies subject to valuation for the Proposed Transaction



Source: Management information, DCAS analysis

Note:

(i) The subsidiaries and associates held by AAB are mostly dormant in nature. As such, their carrying amounts based on the audited financial statements as of the Valuation Date have been considered as surplus assets in the valuation of AAB.

(ii) On 5 June 2023, AA Com Travel Philippines Inc., entered into a sale and purchase agreement to acquire 60% of the issued share capital of AAI, translating to a post-acquisition ownership of 100% in AAI (40% direct ownership in AAI and 60% indirect ownership via AA Com Travel Philippines Inc). Management represented that AA Com Travel Philippines Inc. will be transferred to AAAGL prior to the Proposed Transaction. For the purposes of this Letter, DCAS has been instructed to consider the net assets of AA Com Travel Philippines Inc. in valuing AirAsia Aviation Group Limited. As of the date of this Letter, the transfer of AA Com Travel Philippines Inc. to AAAGL has been completed.

(iii) The corporate structure is a simplified structure and only illustrates the companies that are relevant to the valuation exercise. Grey highlights denote valuation subjects.

- The rest of this page has been intentionally left blank -

Deloitte.

4.0 Valuation Bases and Approaches

4.1 Subject of Valuation

The subject of valuation covers 100% equity value of the following entities on marketable and control basis:

i. The AOC which include AAB, IAA, PAA and TAA; and
ii. The holding companies which include AAAGL, AAID, AAI and AAV.

The valuation has been undertaken on an "as-is" basis, assuming the Targets to be going concern as standalone entities.

4.2 Date of Valuation

The valuation is based on an agreed valuation date of 31 December 2023.

Events which take place post Valuation Date have not been considered, except those specifically mentioned in this Letter.

As of the date of this Letter, DCAS is not aware of any event or fact that will materially affect the valuation of the Targets.

4.3 Standard of Value

The standard of value that has been applied is market value, which is defined by International Valuation Standards effective 31 January 2022, as an estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

- The rest of this page has been intentionally left blank -

Deloitte.

4.4 Valuation Currencies

The valuation of each of the entities has been performed based on the reporting currencies of the respective entities.

For presentation purposes, the resulting valuation of entities with respective reporting currency will be converted to United States Dollar ("USD") and Ringgit Malaysia ("RM") based on the applicable exchange rates as at the Valuation Date in Table 1 below.

Table 1 – Exchange rate as of the Valuation Date

Entity	Country of incorporation	Reporting currency	Exchange rate to USD	Exchange rate to RM
AOC				
AAB	Malaysia	RM	0.2180	1.0000
IAA	Indonesia	Indonesian Rupiah ("IDR")	0.0001	0.0003
PAA	Philippines	Philippines Peso ("PHP")	0.0181	0.0828
TAA	Thailand	Thai Baht ("THB")	0.0291	0.1334
Holding companies				
AAAGL	Malaysia	USD	1.0000	4.5875
AAID	Indonesia	IDR	0.0001	0.0003
AAI	Philippines	PHP	0.0181	0.0828
AAV	Thailand	THB	0.0291	0.1334

Source: Management information, Capital IQ, DCAS analysis

Note: The exchange rates above have been rounded to the nearest 4 decimal points for presentation purposes.

4.5 Methods of Valuation

The following valuation methods have been considered in deriving the range of market value of the Targets:

i. Income approach – The income approach bases value on the estimated future cash flows which an entity is expected to generate. Discounted cash flows are estimated based on discussions and projections by the Management and other publicly available information.

ii. Market approach – The market approach estimates value based on market prices of comparable companies, adjusted for differences between the subject company and comparable companies. Guideline Public Company Method ("GPCM") is used to estimate value based on comparable listed companies. The enterprise value ("BEV") over earnings before interest, tax, depreciation, amortisation and rental ("EBITDAR") ("BEV/EBITDAR") multiple of the guideline public companies ("GPC") are considered as key valuation metrics to form the ranges of values; and

iii. Adjusted book value approach – The adjusted book value approach measures the net value of an enterprise after its assets and liabilities have been adjusted to its market value as at the Valuation Date.

The AOC are income-generating companies with active operations, as such the income approach has been adopted as the primary approach to determine the market value of the AOC whilst the market approach has been used for cross-checking purposes. The adjusted book value approach has not been applied given that the net assets of the AOC may not be reflective of their future earning capabilities.

Deloitte.

4.5 Methods of Valuation (Cont'd)

The adjusted book value approach has been principally applied in valuing for the holding companies given that their respective net assets as at the Valuation Date would be reflective of their market values as holding companies.

4.6 Key Bases

The key bases adopted in the valuation of the Targets are as follows:

i. The Services are based on generally accepted valuation procedures and practices that rely on the use of assumptions and considerations of uncertainties that cannot be easily quantified or ascertained;

ii. The analysis leading to DCAS' valuation presents an assessment based on DCAS' best professional judgment and experience. The Clients should note that there would usually be differences between the projections and the actual results because events and circumstances frequently do not occur as expected and these differences may be material;

iii. By its very nature, DCAS' valuation work cannot be regarded as an exact science and the conclusions arrived in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. Whilst DCAS consider the valuation to be both reasonable and defensible based on the information available to DCAS, others may place a different value on the Targets;

iv. In arriving at the valuation of the Targets, DCAS has relied on the information and data supplied by the Management. DCAS is not required to and has not carried out an audit on the financial statements or the underlying assumptions to the projections;

v. DCAS has made necessary enquiries on the information provided including the Targets' projections. DCAS has not verified the information or materials provided during the performance of the Services;

vi. The detailed historical financial information of the Targets for the FY2018 to FY2023 provide a true and fair view of the Targets' financial positions and financial performances;

vii. The findings and assumptions of the valuations have been discussed with the Management prior to finalisation, we understand that the Management is agreeable to and responsible for the assumptions the projection relied on;

viii. The Services have assumed that the Targets are and will continue as a going concern;

ix. There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial positions of the Targets;

x. There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, bases and rates of taxation and other lending guidelines which will affect the activities of the Targets;

xi. For presentation purposes, DCAS has rounded the disclosed percentages and whole numbers to the nearest unit. Due to rounding, the numbers presented throughout this Valuation Letter may not add up precisely to the totals provided; and

- The rest of this page has been intentionally left blank -

Deloitte.

4.6 Key Bases (Cont'd)

xii. The principal sources of information from the Management which have been considered in the Services include, but is not limited to, the following:

- Audited financial statements of the Targets from FY2018 to FY2023;
- Detailed historical financial information of the Targets from FY2018 to FY2023;
- Capital A's plan for reorganisation and capitalisation of debts;
- Annual reports of Capital A from FY2017 to FY2023;
- Quarterly operating statistics provided by the Management from FY2018 to FY2023;
- Fleet details provided by Management for FY2019 to FY2023;
- Historical jet fuel (Mean of Platts Singapore) prices from January 2017 to December 2023; Forecast projections of the Targets from FY2024 to FY2028; and
- Published market information from the public domain.

5.0 Valuation of the Targets

5.1 Key assumptions applied in the income approach for the AOC

The AOC include AAB, IAA, PAA, and TAA. Where applicable, DCAS will make a reference to FY2019 as a base year in analysing the projections of each AOC, as FY2019 represents the financial performance of the AOC prior to the COVID-19 pandemic.

5.1.1 AAB

Revenue

- AAB is a low-cost passenger airline which provides air transportation services out of Malaysia. As at the Valuation Date, AAB has more than 100 leased aircraft and serves around 50 destinations with more than 80 routes.
- AAB's revenue streams mainly consist of:
  i. Passenger revenues which relate to scheduled passenger flight, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute circa ("c.") 99.0% of the total projected revenue between FY2024 and FY2028; and
  ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 1.0% of the total revenue between FY2024 and FY2028.
- The total revenue is expected to grow at a compound annual growth rate ("CAGR") of c. 13.0% between FY2024 and FY2028 and c. 6.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of AAB are expected to be utilised and offset against its projected Earnings Before Interest and Tax ("EBIT") between FY2024 to FY2028. Tax expenses are assumed in the terminal period at Malaysia statutory tax rate of 24.0%.
- Capital expenditure for non-aircraft operating assets is projected at c. 1.0% of the total projected revenue between FY2024 and FY2028.

Deloitte.

Others (cont'd)

- The working capital requirements of AAB have been assumed as follows:
    i. Trade receivable turnover days of less than 2 weeks;
    ii. Trade payable turnover days between 30 and 45 days; and
    iii. Other working capital requirements are based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using a terminal year growth rate of c. 2.0%, being the 20-year long-term inflation rate in Malaysia sourced from Economist Intelligence Unit ("EIU").

5.1.2 IAA

Revenue

- IAA is a low-cost passenger airline which provides air transportation services out of Indonesia. As at the Valuation Date, it has more than 30 leased aircraft and serves around 20 destinations with more than 30 routes.
- Its revenue streams mainly consist of:
    i. Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute c. 98.0% of the total projected revenue between FY2024 and FY2028; and
    ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 2.0% of the total revenue between FY2024 and FY2028.
- The total revenue is expected to grow at a CAGR of c. 21.0% between FY2024 and FY2028 and c. 14.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of IAA are expected to be utilised and offset against its projected EBIT between FY2024 to FY2027. Tax expenses have been assumed from FY2028 onwards at Indonesia statutory tax rate of 22.0%.
- Capital expenditure for non-aircraft operating assets is projected at c. 1.0% of the total projected revenue between FY2024 and FY2028.
- The working capital requirements of IAA have been assumed as follows:
    i. Trade receivable turnover days of less than 1 week;
    ii. Trade payable turnover days between 30 and 45 days; and
    iii. Other working capital requirements based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using a terminal year growth rate of c. 3.0%, being the 20-year long-term inflation rate in Indonesia sourced from EIU.

- The rest of this page has been intentionally left blank -

Deloitte.

5.1.3 PAA

Revenue

- PAA is a low-cost passenger airline which provides air transportation services out of Philippines. As at the Valuation Date, it has more than 20 leased aircraft and serves more than 20 destinations with more than 20 routes.
- Its revenue streams mainly consist of:
  i. Passenger revenues which relate to scheduled passenger flight, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute c. 99.0% of the total projected revenue between FY2024 and FY2028; and
  ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 1.0% of the total revenue between FY2024 and FY2028.
- The total revenue is expected to grow at a CAGR of c. 15.0% between FY2024 and FY2028 and c. 11.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of PAA are expected to be utilised and offset against its projected EBIT in FY2024 and FY2025. Tax expenses are assumed from FY2026 onwards at Philippines statutory tax rate of 25.0%.
- Capital expenditure for non-aircraft operating assets is projected at c. 2.0% of the total projected revenue for FY2024 and FY2028.
- The working capital requirements of PAA have been assumed as follows:
  i. Trade receivable turnover days of less than 1 week;
  ii. Trade payable turnover days between 30 and 70 days; and
  iii. Other working capital requirements are based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using the terminal year growth rate of c. 3.0%, being the 20-year long-term inflation rate in Philippines sourced from EIU.

5.1.4 TAA

Revenue

- TAA is a low-cost passenger airline which provides air transportation services out of Thailand. As at the Valuation Date, it has more than 50 leased aircraft and serves around 50 destinations with more than 60 routes.
- Its revenue streams mainly consist of:
  i. Passenger revenues which relate to scheduled passenger flight, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute c. 99.0% of the total projected revenue between FY2024 and FY2028; and
  ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 1.0% of the total revenue between FY2024 and FY2028.

Deloitte.

5.1.4 TAA (Cont'd)

- The total revenue is expected to grow at a CAGR of c. 11.0% between FY2024 and FY2028 and c. 5.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of TAA are expected to be utilised and offset against its projected EBIT between FY2024 to FY2027. Tax expenses are assumed from FY2028 onwards at Thailand statutory tax rate of 20.0%.
- Capital expenditure for non-aircraft operating assets is projected at 0.2% of the total projected revenue between FY2024 and FY2028.
- The working capital requirements of TAA have been assumed as follows:
  - i. Trade receivable turnover days of less than 1 week;
  - ii. Trade payable turnover days between 30 and 45 days; and
  - iii. Other working capital requirements are based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using a terminal year growth rate of c. 1.0%, being the 20-year long-term inflation rate in Thailand sourced from EIU.

5.1.5 Discount rates

- The discount rates adopted have been developed based on the weighted average cost of capital ("WACC"). Amongst others, the WACC are based on the following:
  - i. Cost of equity with reference to the respective markets which the AOC operate in using the international cost of capital ("ICOC") approach, which assumes adjustments for country risk factors and inflation differentials from a cost of capital benchmark based on a mature financial market. The United States ("US") have been applied as a benchmark, and a US equity risk premium of c. 5.0%, adjusted for country risk and inflation rate differentials ranging from c. 2.0% to 4.0% have been adopted;
  - ii. Pre-tax cost of debt ranges from c. 6.0% to c. 9.0%;
  - iii. Debt-to-capital ratio of c. 30.0%; and
  - iv. Additional risk premiums, as appropriate, to consider uncertainties and risks attributable to the cash flow projections of the respective AOC.
- The adopted WACC for the respective AOC are summarised as below:
  - i. AAB: 12.5% to 14.5%;
  - ii. IAA: 17.5% to 19.0%;
  - iii. PAA: 17.0% to 19.0%; and
  - iv. TAA: 12.0% to 14.5%.

- The rest of this page has been intentionally left blank -

Deloitte.

5.2 Key assumptions applied in the market approach for the AOC

- Forward EBITDAR has been considered given that the AOC operations are expected to recover to pre COVID-19 levels in the projection period, consistent with general market consensus of the recovery of the overall airline industry.
- Low-cost carriers which mainly provide air transportation services within the Asia Pacific region have been selected as comparable companies. The GPC are enclosed in the Appendix of this Letter.

5.3 Key assumptions applied in the adjusted book value approach for the holding companies

- The holding companies which include AAAGL, AAID, AAI and AAV have been valued based on their adjusted book value.
- The audited net book value of the respective holding companies as of the Valuation Date has been adopted.
- Adjustments to the book value will mainly pertain to the fair value upliftment of their investments in subsidiaries based on the market values of the AOC derived in the preceding section of this Valuation Letter.
- The carrying amount of other assets and liabilities have been assumed to approximate their market value.

- The rest of this page has been intentionally left blank -

Deloitte.

5.4 Income approach

Under the income approach, the 100% equity value of the AOC including AAB, IAA, PAA, and TAA on marketable and control basis are as follows:

Table 2 – Indicative value of the Targets based on income approach

	AAB		IAA		PAA		TAA	
	Low range (RM'mil)	**High range (RM'mil)**	**Low range (IDR'bil)**	**High range (IDR'bil)**	**Low range (PHP'mil)**	**High range (PHP'mil)**	**Low range (THB'mil)**	**High range (THB'mil)**
Discount rates	14.5%	12.5%	19.0%	17.5%	19.0%	17.0%	14.5%	12.0%
BEV	2,278	3,158	3,683	4,345	17,020	21,679	25,757	31,889
Adjustment for:								
Net (debt) / cash	1,444	1,444	(3,031)	(3,031)	(10,997)	(10,997)	(1,792)	(1,792)
Equity value	3,721	4,602	652	1,314	6,023	10,683	23,966	30,098
Equity value (USD'mil)	**811**	**1,003**	**42**	**85**	**109**	**193**	**697**	**875**
Equity value (RM'mil)	**3,721**	**4,602**	**196**	**394**	**499**	**885**	**3,198**	**4,016**

Source: Audited financial statements, Management information, DCAS analysis
Note:
- *Mil denotes millions and bil denotes billions.*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*

DCAS has cross-checked the valuation ranges from the income approach to market approach and the outcomes support the value ranges above.

- The rest of this page has been intentionally left blank -

Deloitte.

5.5 Adjusted book value approach

Under the adjusted book value approach, the 100% equity value of AAAGL, AAV, AAI and AAID are as follows:

Table 3 – Indicative value of AAAGL, AAV, AAI and AAID based on adjusted book value approach

	AAAGL		AAV		AAI		AAID	
	Low range (USD'mil)	**High range (USD'mil)**	**Low range (THB'mil)**	**High range (THB'mil)**	**Low range (PHP'mil)**	**High range (PHP'mil)**	**Low range (IDR'bil)**	**High range (IDR'bil)**
Audited book value	183	183	17,015	17,015	6,176	6,176	2,567	2,567
Adjustments:								
(1) Upliftment in fair value of investments	(61)	116	7,081	13,213	6,003	10,646	(2,228)	(1,849)
(2) Capital contribution from Capital A arising from the capitalisation of the intercompany debts.	505	505	n/a	n/a	n/a	n/a	n/a	n/a
(3) Cost of investment for the acquisition of 100% equity interest in AA Com Travel Philippines Inc.	(0.2)	(0.2)	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted book value	628	805	24,095	30,227	12,178	16,822	339	718
Equity value (USD'mil)	**628**	**805**	**701**	**879**	**220**	**304**	**22**	**47**
Equity value (RM'mil)	**2,880**	**3,691**	**3,215**	**4,034**	**1,008**	**1,393**	**102**	**215**

Source: Audited financial statements, Management information, DCAS analysis
Note:
- *Mil denotes millions and bil denotes billions.*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*
- *Audited book values have been adjusted to reflect the latest plan for internal reorganisation and capitalisation of debts to be completed prior to the Proposed Transaction.*

Deloitte.

5.5 Adjusted book value approach (Cont'd)

Note: Upliftment in fair value of AAAGL's investments are shown as below:

	Low range (USD'mil)	High range (USD'mil)
• 20.95% equity interest in IAA	9	18
• 40.71% equity interest in AAV	285	358
• 100.00% equity interest in AA Com Travel Philippines Inc	116	166
• 40.00% equity interest in AAI	88	121
• Investment in convertible bond issued by AAI	25	25
• 46.25% equity interest in AAID	10	22
Total	**533**	**710**
Less: Adjusted carrying amount of AAAGL's investments as at 31 December 2023	(594)	(594)
Upliftment in fair value of AAAGL's investments	**(61)**	**116**

Note: Carrying amount of AAAGL's investments have been adjusted to reflect the proposed novation of perpetual capital securities from AAB to AAAGL, to be completed prior to the Proposed Transaction.

6.0 Key risk factors

This section highlights some of the inherent key risk factors in the financial projections adopted in the valuation of the AOC including AAB, IAA, PAA, and TAA.

Correspondingly, the holding companies including AAAGL, AAID, AAI and AAV would also be subject to the same risk factors due to their shareholdings in the underlying AOC.

i. Recovery of demands for the AOC's air transportation services

The AOC are expected to recover to its pre-pandemic revenue in FY2024 which is in line with the overall increase in demands for air transportation services post-pandemic. However, there is no certainty that the speed of recovery would be in line with the projection by the AOC.

ii. Ability to achieve planned capacity expansion

The projected growth in revenue of the AOC is expected to be contributed by the growth in the number of stages and expansion of new routes.

This is dependent on the timely delivery of aircraft from suppliers to be utilised in servicing the increased capacity, which is inherently uncertain given the current backlog prevalent in the aircraft supply industry. Further, there are also uncertainties in securing the necessary approvals to fly the new routes.

iii. Ability to achieve projected improvement in profitability margins

The AOC are expected to achieve improvement in margins between FY2024 and FY2028 due to economies of scale and cost optimization initiatives by the Management. However, there is no guarantee of the achievability of the projected growths and margins.

iv. Fluctuations of exchange rate and movement in crude oil prices

Fuel cost is a major cost component in the AOC operations, price of which is closely related to movement in crude oil prices. Most of the AOC's costs, including fuel costs are also denominated in USD. Fluctuations in fuel prices and exchange rates will therefore potentially contribute to uncertainties in the projected cash flows of the AOC.

Deloitte.

7.0 Conclusion

Based upon and subject to the foregoing and other information used in the preparation of this Letter, DCAS has estimated the values of 100% equity interests in the Targets on a marketable and control basis, as shown below:

Table 4 – Summary of indicative value of the Targets in their respective reporting currencies and USD

			Reporting currency		USD'mil		RM'mil	
Entity	**Country of incorporation**	**Reporting currency**	**Low range**	**High range**	**Low range**	**High range**	**Low range**	**High range**
AOC								
AAB	Malaysia	RM'mil	3,721	4,602	811	1,003	3,721	4,602
IAA	Indonesia	IDR'bil	652	1,314	42	85	196	394
PAA	Philippines	PHP'mil	6,023	10,683	109	193	499	885
TAA	Thailand	THB'mil	23,966	30,098	697	875	3,198	4,016
Holding companies								
AAAGL	Malaysia	USD'mil	628	805	628	805	2,880	3,691
AAID	Indonesia	IDR'bil	339	718	22	47	102	215
AAI	Philippines	PHP'mil	12,178	16,822	220	304	1,008	1,393
AAV	Thailand	THB'mil	24,095	30,227	701	879	3,215	4,034

Source: Audited financial statements, Management information, DCAS analysis

The equity values of the Targets above are based on several assumptions set out in the previous sections. As with all assumptions, there are inherent uncertainties and there can be no guarantee that the assumptions will be achieved. The valuation ranges should be considered together with the key bases and assumptions adopted.

- The rest of this page has been intentionally left blank -

Deloitte.

8.0 Restriction

This Valuation Letter is prepared strictly and solely for inclusion in the Circular. The valuation of 100% equity interest in the Targets should be considered in the context of the entirety of this Letter. Save for the purpose of public inspection in relation to the Proposed Transaction and other public documents to be made in accordance with the rules and regulations set out by the relevant authorities, this Letter may not be reproduced, disseminated or quoted for any other purpose without DCAS' prior written consent.

This Letter is governed by, and should be construed in accordance with, the laws of Malaysia, and are strictly limited to the matters stated herein. DCAS reserves the right to amend this Letter in terms of its format and contents before providing our consent.

Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Letter, in whole or in part, contrary to the provision set out in this Letter and our Engagement Letter.

Neither DCAS nor any of its members or employees undertakes responsibilities arising in any way whatsoever to any person in respect of this Letter, including any error or omission therein, however caused, as a result of the unauthorised circulation, publication, reproduction or use of this Letter, or any part hereof.

We are under no obligation to update this Letter in respect of events or information that came to our attention subsequent to the date of this Letter.

Yours faithfully,

DELOITTE CORPORATE ADVISORY SERVICES SDN. BHD.

Leonard Woo **Executive Director**	**Yap Kong Meng** **Executive Director**

encl.
Appendix: Guideline Public Companies

- The rest of this page has been intentionally left blank -

Deloitte.

Appendix – Guideline Public Companies

No.	Name	Country	Business description
1	Air Busan Co., Ltd.	South Korea	Air Busan Co., Ltd. provides passenger airline services. It offers domestic and international flight services.
2	AirAsia X Berhad	Malaysia	AirAsia X Berhad, together with its subsidiaries, provides long haul air transportation services under the AirAsia X brand in Malaysia, Thailand, and Indonesia. The company also offers logistical Management and marketing services; and leases aircraft facilities.
3	Asia Aviation Public Company Limited	Thailand	Asia Aviation Public Company Limited, through its subsidiary, provides airline services in Thailand. The company operates through Scheduled Flight Operations and Charter Flight Operations segments.
4	Capital A Berhad	Malaysia	Capital A Berhad, an investment holding company, provides air transportation services internationally under the AirAsia brand. It also offers management, engineering, tour operating, consultancy services, inflight services as well as provides logistic and payment services for cross border e-commerce marketing.
5	Cebu Air, Inc.	Philippines	Cebu Air, Inc., an airline, provides international and domestic air transportation services. It offers scheduled air travel services and ancillary services to passengers, as well as airport-to-airport cargo services on its domestic and international routes. Cebu Air, Inc. operates as a subsidiary of CP Air Holdings, Inc.
6	InterGlobe Aviation Limited	India	InterGlobe Aviation Limited provides air transportation services in India and internationally. The company primarily operates IndiGo passenger airline. It also offers ancillary products and services comprising cargo, service requests, ticket modification and cancellation, in-flight sales, ground handling, and tour services.
7	Jeju Air Co., Ltd.	South Korea	Jeju Air Co., Ltd. provides airline services in South Korea, Japan, China, Taiwan, the Philippines, Vietnam, Thailand, and Guam. It also offers in-flight, airport, and other additional services. Jeju Air Co., Ltd. is a subsidiary of AK Holdings, Inc.
8	Nok Airlines Public Company Limited	Thailand	Nok Airlines Public Company Limited, together with its subsidiaries, provides air transport services for passengers, and parcels and parcel posts in Thailand.
9	PT AirAsia Indonesia Tbk	Indonesia	PT AirAsia Indonesia Tbk, through its subsidiary, PT Indonesia AirAsia, provides scheduled commercial air transport services in Indonesia.
10	SpiceJet Limited	India	SpiceJet Limited offers passengers and cargo air transportation services under the SpiceJet brand name. It operates 98 fleets covering 250 routes, which include 212 domestic and 38 international destinations.
11	Spring Airlines Co., Ltd.	China	Spring Airlines Co., Ltd. engages in the air passenger and cargo transportation business in China. The company also provides services related to air transportation. Spring Airlines Co., Ltd. is a subsidiary of Shanghai Spring International Travel Services Ltd.

Deloitte.

Source: Capital IQ, DCAS analysis

Appendix – Guideline Public Companies (cont'd)

No.	Name	Country	Business description
12	T'Way Air Co., Ltd.	South Korea	T'Way Air Co., Ltd. provides air transportation services. The company was formerly known as Hansung Airlines Co. Ltd. and changed its name to T'Way Air Co., Ltd. in August 2010.
13	Tigerair Taiwan Co., Ltd.	Taiwan	Tigerair Taiwan Co., Ltd. provides airline services. It offers air transportation services for passengers and cargo, and ground handling services. Tigerair Taiwan Co., Ltd. is a subsidiary of China Airlines Co., Ltd.
14	VietJet Aviation Joint Stock Company	Vietnam	VietJet Aviation Joint Stock Company provides passenger and cargo air transportation services, and airline-related support services. It also provides aircraft rental and in-flight advertising services; and trades in and leases aircraft and aircraft components, as well as offers ancillary and payment services.

Source: Capital IQ, DCAS analysis

- The rest of this page has been intentionally left blank -

DCAS' LETTER DATED 10 SEPTEMBER 2024

Deloitte.

10 September 2024

Deloitte Corporate Advisory Services Sdn. Bhd. (199901012610)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

P.O. Box 11151
50736 Kuala Lumpur
Malaysia

Tel: +60 3 7610 8888
Fax: +60 3 7726 8986
www.deloitte.com/my

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

Attention: Ms. Pattra Boosarawongse, Group Chief Financial Officer

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

Attention: Encik Benyamin Ismail, Chief Executive Officer

ASSESSMENT OF THE ISSUANCE OF REVENUE BOND ON THE VALUATION OF AIRASIA BERHAD, AIRASIA AVIATION GROUP AND ITS SUBSIDIARIES

1.0 Introduction

Further to the issuance of the valuation letter on 25 July 2024, Capital A and AAX have requested DCAS to evaluate the impact of issuance of Revenue Bond (as hereinafter defined) which has been secured on 21 August 2024 after the date of issuance of the valuation letter, on the valuation of the Targets as defined in the valuation letter dated 25 July 2024.

Unless otherwise stated, the abbreviations or definitions in this document have the same meaning as those in the valuation letter dated 25 July 2024.

Subsequent to the Letter, AAB's wholly owned subsidiary, AirAsia RB1 Ltd ("AARB1") has on 21 August 2024, entered into agreement with its aircraft lessors and private credit funds for the issuance of bonds with the following terms:

i. Tranche 1 – USD 243.0 mil with an interest rate of 7% per annum repayable within two years (i.e., by September 2026); and
ii. Tranche 2 – USD 200.0 mil with an interest rate of 14% per annum repayable within four years (i.e., by August 2028).

Further details on the terms of the bonds can be found in the Circular to the shareholders of Capital A and AAX ("Revenue Bond").

Deloitte.

2.0 Assessment

Save as expressly mentioned in this document, all the other assumptions undertaken in the valuation of the Targets remain the same as those stated in the valuation letter dated 25 July 2024.

As disclosed in our valuation letter dated 25 July 2024, DCAS has applied the income approach as the primary method in valuing the AOCs, including AAB.

We understand from the Management that the Revenue Bond is used for repayment of existing lease payables and for working capital purposes. As such, the Revenue Bond is deemed as an operational rather than a financing debt.

Based on this understanding, the impact of the Revenue Bond would therefore be assessed based on the incremental cash inflows and outflows arising from the drawdown and repayment of the principal and interest and associated tax savings based on the contractual terms of the Revenue Bond between FY2024 and FY2028.

These cash flows will form part of the incremental net working capital funding which will be attributed to AAB during the tenure of the Revenue Bond.

Further, as the Revenue Bond is used to fund AAB's existing operations, it is assumed that there are no other changes in the assumptions to arrive at the projected cash flows of AAB.

3.0 Impact of valuation

The impact of Revenue Bond on the valuation of AAB is summarised in the table below:

Table 1 – Comparison of the indicative value of AAB based on cash flows before and after the issuance of Revenue Bond

	As of valuation letter dated 25 July 2024		**Assessment on valuation after Revenue Bond**	
	Low range (RM'mil)	**High range (RM'mil)**	**Low range (RM'mil)**	**High range (RM'mil)**
Discount rate	14.5%	12.5%	14.5%	12.5%
BEV	2,278	3,158	2,291	3,119
Adjustment for:				
Net (debt) / cash	1,444	1,444	1,444	1,444
Equity value of AAB	3,721	4,602	3,735	4,563
Equity value of AAB (USD'mil)	**811**	**1,003**	**814**	**995**

Note:
- Mil denotes millions.
- Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.

Deloitte.

3.0 Impact of valuation (Cont'd)

The midpoint of equity value of AAB after Revenue Bond is RM4,149 mil, which is lower than RM4,161 mil based on the valuation letter dated 25 July 2024. The difference arises from the following factors, including:

i. Lower average interest rate on the Revenue Bond as compared to the adopted discount rate of AAB;
ii. Additional transaction cost arising from the Revenue Bond facility; and
iii. Tax savings arising from interest payments on Revenue Bond.

Yours faithfully,

DELOITTE CORPORATE ADVISORY SERVICES SDN. BHD.

Leonard Woo **Executive Director**	**Yap Kong Meng** **Executive Director**

- The rest of this page has been intentionally left blank -

AIRASIA X BERHAD
200601014410 (734161-K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2023

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Contents **Page**

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

Principal activities

The principal activity of the Company is that of providing long haul air transportation services.

The principal activities of the subsidiaries, an associate and a joint venture companies are disclosed in Notes 18, 19 and 20 to the financial statements.

Financial results

	Group RM'000	Company RM'000
Profit for the financial year, representing profit attributable to owners of the Company	331,505	333,072

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, other than as disclosed in the financial statements, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the reversal of additional loss in an investment in a joint venture as disclosed in Note 42 to the financial statements.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Share capital

On 15 June 2023, the Company has completed a private placement exercise, in which the Company has issued 32,258,066 new shares with an issue price of RM1.55 per placement price. The new shares rank pari passu with the then existing shares of the Company.

Share options

No option was granted by the Company to any parties to take up unissued shares of the Company during the financial year.

Dividend

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

Directors

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

Datuk Kamarudin Bin Meranun
Tan Sri Asmat Bin Kamaludin
Dato' Fam Lee Ee
Chin Min Ming
Dato' Sri Mohammed Shazalli Bin Ramly (Appointed on 29 September 2023)
Dato' Abdul Mutalib Bin Alias (Appointed on 29 September 2023)
Ahmad Al Farouk Bin Ahmad Kamal (Resigned on 15 December 2023)
Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin (Resigned on 15 December 2023)

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:

Benyamin Bin Ismail
Jean Marc Kin Voon Likamtin
Deans Tommy Lo Seen Chong
Kanoosingh Ashive

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 37 to the financial statements.

The Directors' benefits are as follows:

2023	**Group and Company RM'000**
Fees	961
Emoluments and other allowances	589
	1,550

Indemnity and insurance for Directors and officers

The Directors and officers of the Company and its subsidiaries are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of RM10 million against any legal liability, if incurred by the Directors and officers of the Company and its subsidiaries in the discharge of their duties while holding office for the Company and its subsidiaries. The insurance premium paid by the Company was RM288,416.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Directors' interests

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company or its related corporations during and at the end of the financial year are as follows:

	Number of ordinary shares			
	1.1.2023	Share consolidation (Note 35)	Disposed	31.12.2023
The Company				
Datuk Kamarudin Bin Meranun				
Direct interest	37,070,994	-	(1)	37,070,993
Indirect interest *	131,033,138	-	(2)	131,033,136
Tan Sri Asmat Bin Kamaludin				
Direct interest	10,000	-	-	10,000
Indirect interest **	4,000	-	(2,000)	2,000

* Deemed interest by virtue of their shareholding interests in AirAsia Berhad and Tune Group Sdn Bhd pursuant to Section 8A of the Companies Act 2016.

** Pursuant to Section 59(11)(c) of the Companies Act 2016, the interests of spouse and children of Tan Sri Asmat Bin Kamaludin in the shares of the Company shall also be treated as the interest of Tan Sri Asmat Bin Kamaludin.

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

Other statutory information

(a) Before the 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Other statutory information (Cont'd.)

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

(i) the amount written off for bad debts or the amount of the allowance 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 the current assets in these financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the 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) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Auditors

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Total statutory audit fees	817	680

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 paid to indemnify Ernst & Young PLT during the financial year and since the end of the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 April 2024.

Dato' Fam Lee Ee	Dato' Abdul Mutalib Bin Alias
Director	Director

Kuala Lumpur, Malaysia

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of profit or loss
For the financial year ended 31 December 2023

	Note	Group 1.1.2023 to 31.12.2023 RM'000	Group 1.7.2021 to 31.12.2022 RM'000 Restated	Company 1.1.2023 to 31.12.2023 RM'000	Company 1.7.2021 to 31.12.2022 RM'000 Restated
Revenue	4	2,527,096	825,860	2,526,653	825,277
Operating expenses					
- Staff costs	5	(204,071)	(106,442)	(200,121)	(104,820)
- Depreciation	6	(184,395)	(40,270)	(184,395)	(40,270)
- Aircraft fuel expenses		(1,256,429)	(354,896)	(1,256,429)	(354,896)
- Maintenance and overhaul	7	(351,045)	(472,353)	(351,045)	(471,971)
- User charges		(247,619)	(96,965)	(247,619)	(96,965)
- Aircraft operating lease expenses		(72,158)	(33,637)	(72,461)	(33,637)
- Other operating expenses	9	(195,249)	(275,115)	(181,381)	(267,418)
- Reversal of/(provision for) additional loss in the investment in IAAX		223,245	(223,245)	223,245	(223,245)
Other income	10	239,592	34,328,563	224,087	34,414,146
Other loss	12	-	(46,000)	-	(46,000)
Operating income		478,967	33,505,500	480,534	33,600,201
Finance income	11	2,702	1,553	2,702	1,553
Finance costs	11	(112,601)	(762,967)	(112,601)	(762,967)
Net operating income		369,068	32,744,086	370,635	32,838,787
Net foreign exchange loss	11	(25,295)	(47,742)	(25,295)	(47,742)
Share of results of an associate	19	-	-	-	-
Share of results of a joint venture	20	-	-	-	-
Profit before taxation		343,773	32,696,344	345,340	32,791,045
Taxation					
- Current taxation	13	(1,936)	1	(1,936)	1
- Deferred taxation	13	(10,332)	612,240	(10,332)	612,240
		(12,268)	612,241	(12,268)	612,241
Profit for the financial year/ period		331,505	33,308,585	333,072	33,403,286
Earnings per share (sen)					
- Basic	14	74.2	8,029.7		
- Diluted	14	74.2	8,029.7		

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2023

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000 Restated**	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 31.12.2022 RM'000 Restated**
Profit for the financial year/ period	331,505	33,308,585	333,072	33,403,286
<u>Other comprehensive loss</u>				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation differences	(5,596)	(713)	-	-
Other comprehensive loss for the financial year/period, net of tax	(5,596)	(713)	-	-
Total comprehensive income for the financial year/period	325,909	33,307,872	333,072	33,403,286

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2023

	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated
Group			
Assets			
Non-current assets			
Property, plant and equipment	15	35,295	41,848
Right-of-use assets	16	1,306,448	1,044,312
Deferred tax assets	17	601,908	612,240
Investment in an associate	19	-	-
Investment in a joint venture	20	-	-
Amount due from an associate	23	32,641	-
Trade and other receivables	22	436,266	234,248
Amount due from related parties	25	21,935	-
		2,434,493	1,932,648
Current assets			
Inventories	21	6,968	9,190
Trade and other receivables	22	224,610	230,634
Amount due from an associate	23	-	29
Amount due from related parties	25	413,615	131,848
Tax recoverable		198	1,735
Deposits, cash and bank balances	29	57,689	176,710
		703,080	550,146
Total assets		3,137,573	2,482,794
Equity and liabilities			
Current liabilities			
Sales in advance	34	612,296	391,373
Trade and other payables	30	360,232	429,167
Amount due to an associate	26	4,603	3,380
Amount due to related parties	28	41,401	8,469
Lease liabilities	31	152,392	57,033
Provision for aircraft maintenance	33	57,747	17,869
Other provisions	32	13,000	13,000
		1,241,671	920,291
Net current liabilities		(538,591)	(370,145)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2023 (Cont'd.)

	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated
Group (Cont'd.)			
Non-current liabilities			
Sales in advance	34	55,320	352,139
Lease liabilities	31	1,359,633	1,005,449
Provision for aircraft maintenance	33	331,774	207,899
Other provisions	32	33,000	256,245
		1,779,727	1,821,732
Total liabilities		3,021,398	2,742,023
Net assets/(liabilities)		116,175	(259,229)
Equity attributable to equity holders of the Company			
Share capital	35	51,029	1,534
Currency translation reserve		(5,582)	14
Retained earnings/(accumulated losses)		70,728	(260,777)
Total equity		116,175	(259,229)

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2023 (Cont'd.)

	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated
Company			
Assets			
Non-current assets			
Property, plant and equipment	15	35,295	41,848
Right-of-use assets	16	1,306,448	1,044,312
Deferred tax asset	17	601,908	612,240
Investments in subsidiaries	18	4	4
Investment in an associate	19	-	-
Investment in a joint venture	20	-	-
Trade and other receivables	22	436,266	234,248
Amount due from subsidiaries	24	32,261	-
Amount due from related parties	25	21,935	-
		2,434,117	1,932,652
Current assets			
Inventories	21	6,968	9,190
Trade and other receivables	22	222,867	114,222
Amount due from subsidiaries	24	569	-
Amount due from related parties	25	413,478	132,580
Tax recoverable		198	1,652
Deposits, cash and bank balances	29	57,113	176,373
		701,193	434,017
Total assets		3,135,310	2,366,669
Equity and liabilities			
Current liabilities			
Sales in advance	34	612,296	391,373
Trade and other payables	30	326,916	300,521
Amount due to subsidiaries	27	11,809	635
Amount due to an associate	26	4,603	3,380
Amount due to related parties	28	41,401	8,469
Lease liabilities	31	152,392	57,033
Provision for aircraft maintenance	33	57,747	17,674
Other provisions	32	13,000	13,000
		1,220,164	792,085
Net current liabilities		(518,971)	(358,068)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2023 (Cont'd.)

	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated
Company (Cont'd.)			
Non-current liabilities			
Sales in advance	34	55,320	352,139
Lease liabilities	31	1,359,633	1,005,449
Provision for aircraft maintenance	33	331,774	207,899
Other provisions	32	33,000	256,245
		1,779,727	1,821,732
Total liabilities		2,999,891	2,613,817
Net assets/(liabilities)		135,419	(247,148)
Equity attributable to equity holders of the Company			
Share capital	35	51,029	1,534
Retained earnings/(accumulated losses)		84,390	(248,682)
Total equity		135,419	(247,148)

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 31 December 2023

	Note	Number of shares '000	Share capital RM'000	Currency translation reserve RM'000	(Accumulated losses)/ Distributable retained earnings RM'000	Total equity RM'000
		<---- Attributable to equity holders of the Group ----->				
			<--- Non-Distributable --->			
Group						
At 1 January 2023, as per previously stated		414,815	1,534	14	(286,751)	(285,203)
Prior year adjustment (Note 45)		-	-	-	25,974	25,974
At 1 January 2023, restated		414,815	1,534	14	(260,777)	(259,229)
Net profit for the financial year		-	-	-	331,505	331,505
Other comprehensive loss for the financial year		-	-	(5,596)	-	(5,596)
Total comprehensive (loss)/income for the financial year		-	-	(5,596)	331,505	325,909
Issuance of ordinary shares	35	32,258	49,495	-	-	49,495
At 31 December 2023		447,073	51,029	(5,582)	70,728	116,175

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 31 December 2023 (Cont'd.)

			<---- Attributable to equity holders of the Group ----->			
			<--- Non-Distributable --->			
	Note	**Number of shares '000**	**Share capital RM'000**	**Currency translation reserve RM'000**	**Accumulated losses RM'000 Restated**	**Total equity RM'000**
Group						
At 1 July 2021		4,148,149	1,534,044	727	(35,101,872)	(33,567,101)
Net profit for the financial period		-	-	-	33,308,585	33,308,585
Other comprehensive loss for the financial period		-	-	(713)	-	(713)
Total comprehensive (loss)/income for the financial period		-	-	(713)	33,308,585	33,307,872
Share consolidation	35	(3,733,334)	-	-	-	-
Share capital reduction	35	-	(1,532,510)	-	1,532,510	-
At 31 December 2022		414,815	1,534	14	(260,777)	(259,229)

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2023 (Cont'd.)

	Note	Number of shares '000	Share capital RM'000	(Accumulated losses)/ Distributable retained earnings RM'000	Total equity RM'000
		<--- Attributable to equity holders of the Company --->			
		<---------- Non-Distributable ---------->			
Company					
At 1 January 2023, as per previously stated		414,815	1,534	(274,656)	(273,122)
Prior year adjustment (Note 45)		-	-	25,974	25,974
At 1 January 2023, restated		414,815	1,534	(248,682)	(247,148)
Total comprehensive income for the financial year		-	-	333,072	333,072
Issuance of ordinary shares	35	32,258	49,495	-	49,495
At 31 December 2023		447,073	51,029	84,390	135,419

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2023 (Cont'd.)

		<--- Attributable to equity holders of the Company --->			
		<---------- Non-Distributable ---------->			
	Note	**Number of shares '000**	**Share capital RM'000**	**Accumulated losses RM'000 Restated**	**Total equity RM'000**
Company					
At 1 July 2021		4,148,149	1,534,044	(35,184,478)	(33,650,434)
Total comprehensive income for the financial period		-	-	33,403,286	33,403,286
Share consolidation	35	(3,733,334)	-	-	-
Share capital reduction	35	-	(1,532,510)	1,532,510	-
At 31 December 2022		414,815	1,534	(248,682)	(247,148)

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2023

	Note	Group 1.1.2023 to 31.12.2023 RM'000	Group 1.7.2021 to 31.12.2022 RM'000 Restated	Company 1.1.2023 to 31.12.2023 RM'000	Company 1.7.2021 to 31.12.2022 RM'000 Restated
Cash flows from operating activities					
Profit before taxation		343,773	32,696,344	345,340	32,791,045
Adjustments for:					
Property, plant and equipment and right-of-use assets					
- Depreciation	6	184,395	40,270	184,395	40,270
- Reversal of impairment loss	9	-	(157,016)	-	(157,016)
Allowance for/(reversal of) impairment loss:					
- Trade and other receivables	9	16,854	85,882	16,854	85,882
- Inventories	9	-	(9,190)	-	(9,190)
- Amount due from an associate	9,10	(37,940)	366,160	-	-
- Amount due from subsidiaries	9,10	-	-	(38,268)	382,862
- Amount due from related parties	9	498	(9,288)	498	(9,288)
Debt settlement and waiver of debts pursuant to the Debt Restructuring	10	-	(34,313,138)	-	(34,398,721)
(Reversal of)/provision for additional loss in the investment in IAAX		(223,245)	223,245	(223,245)	223,245
Finance income	11	(2,702)	(1,548)	(2,702)	(1,548)
Finance costs	11	97,391	754,519	97,391	754,519
Loss on lease remeasurement	16,31	105	-	105	-
Net gain of discounting effect on financial instruments	11	15,210	8,443	15,210	8,443
Net unrealised foreign exchange loss	11	63,998	34,099	63,998	34,099

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2023 (Cont'd.)

	Note	Group 1.1.2023 to 31.12.2023 RM'000	Group 1.7.2021 to 30.06.2022 RM'000 Restated	Company 1.1.2023 to 31.12.2023 RM'000	Company 1.7.2021 to 30.06.2022 RM'000 Restated
Cash flows from operating activities (Cont'd.)					
Operating gain/(loss) before working capital changes		458,337	(281,218)	459,576	(255,398)
Changes in working capital:					
Inventories		2,222	-	2,222	-
Trade and other receivables		(241,241)	1,238,136	(355,639)	1,354,429
Related parties balances		(249,180)	(803,845)	(238,889)	(974,182)
Trade and other payables		58,942	(282,883)	160,048	(255,086)
Sales in advance		(75,896)	238,671	(75,896)	238,082
Cash flows (used in)/ generated from operations		(46,816)	108,861	(48,578)	107,845
Finance costs paid		(1,420)	-	(1,420)	-
Interest received		2,702	1,548	2,702	1,548
Tax (paid)/refund		(191)	(39)	(482)	44
Net cash (used in)/generated from operating activities		(45,725)	110,370	(47,778)	109,437
Cash flows from investing activities					
Additions of property, plant and equipment	15	(15,254)	(2,021)	(15,254)	(2,021)
Net cash used in investing activities		(15,254)	(2,021)	(15,254)	(2,021)
Cash flows from financing activities					
Repayment of lease liabilities	31	(112,005)	(20,084)	(112,005)	(20,084)
Repayment of hire purchase	29	-	(15)	-	(15)
Deposits pledged as securities		-	5,644	-	5,644
Proceeds from issuance of shares	35	49,495	-	49,495	-
Net cash used in financing activities		(62,510)	(14,455)	(62,510)	(14,455)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial period ended 31 December 2023 (Cont'd.)

		Group		Company	
	Note	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 30.06.2022 RM'000 Restated**	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 30.06.2022 RM'000 Restated**
Net (decrease)/increase in cash and cash equivalents		(123,489)	93,894	(125,542)	92,961
Effect of movement in foreign exchange rate		4,468	14,350	6,282	15,063
Cash and cash equivalents at beginning of the financial period		176,710	68,466	176,373	68,349
Cash and cash equivalents at end of the financial period	29	57,689	176,710	57,113	176,373

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2023

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office and principal place of business of the Company is located at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan.

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are disclosed in Note 18.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2024.

2. Summary of material accounting policies

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

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 basis except otherwise disclosed in this summary of significant accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The preparation of financial statements is in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.2 Changes in accounting policies

On 1 January 2023, the Group and the Company adopted the following new and amended MFRSs and IC interpretation mandatory for annual financial periods beginning on or after 1 January 2023:

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules

The adoption of the above standards and interpretations did not have any material impact on the financial performance or position of the Group and of the Company, except for:

<u>Amendments to MFRS 101 - Disclosure of Accounting Policies</u>

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's and the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Company's financial statements.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.3 Standards issued but not yet effective

The following standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Non-Current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7	Disclosure of Supplier Finance Arrangements

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121	Lack of Exchangeability

Effective for a date yet to be confirmed

Amendments to MFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Sale or Contribution of Assets Assets between an Investor and its Associate or Joint Venture

The amendments to MFRSs above are not expected to have any significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in presentation and disclosures of financial information arising from the adoption of these amendments to MFRSs.

2. Summary of material accounting policies (Cont'd.)

2.4 Basis of consolidation

The consolidated financial statements include the Company's and its subsidiaries' financial information as of 31 December 2023. Control over a subsidiary is established when the Group has the power to influence variable returns and direct the subsidiary's relevant activities.

Typically, a majority of voting rights implies control. However, when the Group holds less than the majority, it assesses various factors to determine control. These factors include the Group's voting rights relative to others, contractual arrangements, and past voting patterns.

Control is reassessed if circumstances change. Consolidation of a subsidiary begins when control is obtained and ends when control is lost. Assets, liabilities, income, and expenses of a subsidiary are included in the consolidated financial statements from acquisition until cessation of control.

Profits, losses, and other comprehensive income ("OCI") are attributed to the parent company's equity holders and non-controlling interests, even if this results in the non-controlling interest in having a deficit balance. When necessary, adjustments are made to align the subsidiary's accounting policies with the Group's. All intra-group transactions are eliminated.

Changes in subsidiary ownership without loss of control are treated as equity transactions. When control is lost, all related assets, liabilities, and equity components are derecognised, with any remaining investment valued at fair value. If the Group loses control over a subsidiary, any remaining investment is measured at fair value. The difference between the carrying amount and fair value is recognised in profit or loss.

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is the sum of the consideration paid and any non-controlling interests in the acquired entity.

Upon acquisition, the Group evaluates the financial assets and liabilities assumed to ensure proper classification and designation. Any contingent consideration is recognised at fair value at the acquisition date. If classified as equity, it's not remeasured. If classified as a financial instrument, it's measured at fair value with subsequent changes recognised in profit or loss.

Goodwill is initially measured as the excess of consideration paid over the net identifiable assets acquired and liabilities assumed. If the fair value of net assets acquired exceeds the consideration, the Group reassesses its identification of assets and liabilities. Any remaining excess is recognised as a gain in profit or loss.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.5 Business combinations and goodwill (Cont'd.)

Goodwill is measured at cost less any accumulated impairment losses. It's allocated to cash-generating units for impairment testing, regardless of other assets or liabilities. If the goodwill is part of a cash-generating unit being disposed of, the associated goodwill is included in the carrying amount of the disposed operation.

2.6 Investment in associates and joint ventures

The Group holds interests in an associate and a joint venture as disclosed in Note 19 and Note 20 respectively.

An associate is an entity over which the Group has significant influence, allowing participation in financial and operating decisions.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group uses the equity method for its investments in associates and joint ventures reports the share of profit or loss from associates separately in the profit or loss.

Investments in associates and joint ventures are initially recorded at cost. The carrying amount is adjusted for changes in the Group's share of the associate's or joint venture's net assets. Goodwill related to associates or joint ventures is included in the investment's carrying amount and are not separately tested for impairment.

In the Company's separate financial statements, investments in associates and joint ventures are stated at cost less accumulated impairment losses.

Results from associates and joint ventures are included in the Group's profit or loss and OCI. Unrealised gains and losses from transactions with associates and joint ventures are eliminated to the extent of the Group's interest. The financial statements of associates and joint ventures are aligned with the Group's reporting period and accounting policies, when necessary.

The Group assesses for impairment at each reporting date and such impairment losses are recognised in profit or loss.

If the Group loses significant influence over an associate or joint control over the joint venture, any remaining investment is measured at fair value. The difference between the carrying amount and fair value is recognised in the profit or loss.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.7 Property, plant and equipment

Property, plant and equipment 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.

Where significant parts of an item of property, plant and equipment are required to be replaced at intervals, the Group and the Company recognise 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 Company and the cost of the parts can be measured reliably. The carrying amount of the replaced part is derecognised.

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.

The useful lives for this purpose are as follows:

Aircraft service potential of engines and airframe	6 or 12 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Motor vehicles	5 years
Office equipment, furniture and fittings	5 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 financial position date.

Residual values, where applicable, are reviewed annually against prevailing market values at the financial position date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis.

The costs of upgrades to leased assets are capitalised and amortised over the shorter of the expected useful life of the upgrades or the remaining life of the aircraft.

Pre-delivery payments on aircraft purchase are included as part of the cost of the aircraft and are depreciated from the date that the aircraft is ready for its intended use.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.8 Investments in subsidiaries

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

2.9 Impairment of non-financial assets

The Group and the Company assess, at each reporting date, whether any indication exists that an asset may be impaired. If so, or when annual impairment testing is required, the Group and the Company estimate the asset's recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and its value in use ("VIU").

The Group and the Company estimate VIU using projected future cash flows to their present value using a pre-tax discount rate. In determining fair value less costs of disposal, market transactions and appropriate valuation models are used. Impairment calculations are based on the Group's and the Company's most recent budgets and forecasts, covering a period of five years. A long-term growth rate is applied to project future cash flows beyond the fifth year.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset. For assets excluding goodwill, the Group and the Company assess at each reporting date whether previously recognised impairment losses no longer exist or have decreased. Reversals are recognised in the profit or loss to the extent that such reversal do not exceed the previous impairment less amortisation or depreciation of the asset had the asset was not impaired. Goodwill is tested for impairment annually and when circumstances indicate potential impairment. Impairment is determined by comparing the recoverable amount of the cash-generating unit (CGU) to which the goodwill relates with its carrying amount.

Intangible assets with indefinite useful lives are tested for impairment annually or when indications of impairment arise.

Climate risks, including physical and transition risks, are assessed for their potential impact. If significant, these risks are factored into cash-flow forecasts when assessing value-in-use amounts.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.10 Maintenance and overhaul

(i) Owned aircraft

The accounting for the cost of major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy in Note 2.7 for property, plant and equipment.

(ii) Leased aircraft

Where the Group and the Company have a commitment to maintain aircraft held under operating leases, a 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 airframe, certain engine maintenance checks and one-off costs incurred at the end of the lease by making appropriate charges to the profit or loss calculated by reference to the number of flying hours, flying cycles operated during the financial period and calendar months of the components used.

2.11 Leases

The Group and the Company assess 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 and Company as a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities and right-of-use ("ROU") assets representing the right to use the underlying assets.

(i) ROU assets

Upon lease commencement, the Group and the Company recognise ROU assets, initially recognising them at cost and subsequently adjusting them for accumulated depreciation and impairment losses, if any. The asset's cost includes lease liabilities, initial direct costs, and lease payments made less incentives received. Depreciation is applied on a straight-line basis over the shorter of the lease term or asset's useful life as follows:

Aircraft and engines	2 to 14 years
Office	2 to 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.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.11 Leases (Cont'd.)

(i) ROU assets (Cont'd.)

The ROU assets are also subject to impairment.

(ii) Lease liabilities

Upon lease commencement, the Group and the Company recognise lease liabilities, measured at the present value of lease payments over the lease term. These payments include fixed payments, less any lease incentives received, variable payments dependent on an index or rate, amounts under residual value guarantees, and purchase option exercise prices or termination penalties.

Variable payments not tied to an index or rate are expensed when triggered.

The present value of lease payments is calculated using the incremental borrowing rate at lease commencement, if the lease's implicit interest rate is not easily determinable. Over time, lease liabilities increase for interest accrual and decrease for payments made. Additionally, they are remeasured for modifications, changes in lease terms or payments, or revised assessments of purchase options.

Lease liabilities are reported within interest-bearing loans and borrowings.

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

For leases with a term of 12 months or less and lacking a purchase option, the Group and the Company apply a short-term lease recognition exemption. Similarly, leases of deemed low value also qualify for exemption.

Lease payments for these short-term and low-value asset leases are expensed evenly over the lease term on a straight-line basis.

2.12 Inventories

Inventories comprising consumables used internally for repairs and maintenance and in-flight merchandise, are stated at the lower of cost and net realisable value.

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

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.13 Fair value measurement

The Group and the Company measure financial instruments at fair value at each reporting date. Fair value is the price at which an asset could be sold or a liability transferred in an orderly transaction between market participants at the measurement date.

Fair value is determined based on the presumption that the transaction occurs in either the principal market or, if not available, the most advantageous market accessible to the Group and the Company. The measurement considers assumptions that market participants act in their economic best interest.

When measuring fair value for non-financial assets, it accounts for their potential economic benefits in their highest and best use.

The Group uses appropriate valuation techniques, maximizing observable inputs and minimizing unobservable ones, with fair value measurements categorised into three levels based on the significance of inputs:

Level 1: Quoted market prices in active markets.
Level 2: Valuation techniques with observable inputs.
Level 3: Valuation techniques with unobservable inputs.

Transfers between levels are assessed at each reporting period. Classes of asset and liability are determined for fair value disclosures based on their nature, characteristics, risks, and their level within the fair value hierarchy.

2.14 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Provisions

Provisions are recognised when the Group has a present obligation due to a past event, and it's probable that resources will be needed to settle it, with the amount being able to be estimated reliably. If certain portion of the provision is reimbursable, it is recognised as a separate asset only when the reimbursement is virtually certain. The expense is recognised in the profit or loss net of any reimbursement.

If time value of money is significant, provisions are discounted using a current pre-tax rate reflecting specific liability risks. The increase in the provision due to time passage is recognised as a finance cost when discounting is applied.

2. Summary of material accounting policies (Cont'd.)

2.16 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Income taxes

(i) Current tax

Current income tax assets and liabilities are measured based on the expected amounts to be paid to or recovered from taxation authorities. This calculation uses enacted or substantively enacted tax rates and laws applicable at the reporting date in the countries where the Group operates and generates taxable income.

For items recognised directly in equity, current income tax is recognised in equity, not in the profit or loss. Management periodically reviews tax return positions, particularly in cases where tax regulations are open to interpretation, and establishes provisions as necessary.

(ii) Deferred tax

Deferred tax is recognised using the liability method based on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except for:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.17 Income taxes (Cont'd.)

(ii) Deferred tax (Cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, subject to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date, with adjustments made based on the probability of future taxable profits.

Deferred tax assets and liabilities are measured using expected future tax rates, based on rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items outside profit or loss is recognised accordingly, either in OCI or directly in equity.

Tax benefits acquired as part of a business combination are recognised subsequently if new information about facts and circumstances changes.

The Group and the Company offset deferred tax assets and liabilities if they have a legally enforceable right to set off current tax assets and liabilities and certain other conditions are met.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.18 Revenue recognition

(a) Revenue from contracts with customers

(i) Scheduled flights

Revenue from scheduled passenger flights is recognised upon the rendering of transportation services net of discounts. The revenue of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

(ii) Charter flights

Revenue from charter flights is recognised upon the rendering of transportation services.

(iii) Ancillary revenue

Ancillary revenue including fuel surcharge, insurance surcharge, administrative fees, assigned seat, change fees, convenience fee, baggage fee, connecting fee, cancellation, documentation and other fees, and on-board sale of meals and merchandise are recognised upon the completion of services rendered net of discounts.

(iv) Freight services

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

(v) Management fee

Management fees, incentives and commission income are recognised on an accrual basis.

2.19 Foreign currencies

(i) 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 financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.19 Foreign currencies (Cont'd.)

(ii) Transactions and balances

When the Group engages in transactions denominated in foreign currencies, the initial recording is done at the spot exchange rate of the functional currency at the time of recognition.

For monetary assets and liabilities in foreign currencies, they are translated at the spot exchange rates at the reporting date. Any differences arising from settlement or translation of these monetary items are then recognised in the Group's profit or loss. However, if a monetary item is designated as part of a hedge of the Group's net investment in a foreign operation, any differences are initially recognised in OCI until the net investment is disposed of, at which point they are reclassified to profit or loss.

Additionally, for transactions involving advance consideration, the spot exchange rate used for derecognition of non-monetary assets or liabilities is determined based on the date of the initial recognition of the asset or liability. This ensures that the appropriate exchange rate is applied for accurate recording of the transaction.

(iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.20 Financial assets

(i) Initial recognition and measurement

Financial assets are categorised at initial recognition based on their contractual cash flow characteristics and the Group's business model for managing them. This classification determines how the assets are subsequently measured: amortised cost, fair value through OCI, or fair value through profit or loss.

Trade receivables without significant financing components or for which the Group applies a practical expedient are measured at the transaction price. For other financial assets, the initial measurement includes their fair value plus transaction costs, except for those classified at fair value through profit or loss.

To be classified and measured at amortised cost or fair value through OCI, a financial asset's cash flows must be 'solely payments of principal and interest' ("SPPI") on the outstanding principal. This is assessed at the instrument level. Assets failing the SPPI test are measured at fair value through profit or loss regardless of the business model.

The Group's business model for managing financial assets determines how it generates cash flows from those assets, whether through collecting contractual cash flows, selling assets, or both. Financial assets held to collect contractual cash flows are classified at amortised cost, while those held to collect cash flows and sell are classified at fair value through OCI.

Transactions involving financial assets requiring delivery within a specific timeframe, as regulated by the market, are recognised on the trade date when the Group commits to purchase or sell the asset.

(ii) Subsequent measurement

Subsequent measurement of financial assets involves classification into four categories and their respective treatment:

Financial assets at amortised cost (debt instruments):

These assets are measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss upon derecognition, modification, or impairment.

Financial assets at fair value through OCI (debt instruments):

Interest income, foreign exchange revaluation, and impairment losses or reversals are recognised in profit or loss. Remaining fair value changes are recognised in OCI, and upon derecognition, the cumulative fair value change in OCI is recycled to profit or loss.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.20 Financial assets (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial assets designated at fair value through OCI (equity instruments):

Equity investments that meet the criteria and are not held for trading can be classified irrevocably as equity instruments designated at fair value through OCI. Gains and losses are not recycled to profit or loss, and dividends are recognised as other income unless they recover part of the asset's cost, in which case, gains are recorded in OCI.

These assets are not subject to impairment assessment.

Financial assets at fair value through profit or loss:

Carried at fair value with net changes recognised in profit or loss.

This category includes derivative instruments and listed equity investments not classified as fair value through OCI.

Dividends on listed equity investments are recognised as other income.

Embedded derivatives in hybrid contracts are separated and accounted for separately if certain conditions are met, with changes in fair value recognised in profit or loss.

(iii) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired, or

- The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement. In such cases, the Group and the Company evaluate whether they have transferred substantially all the risks and rewards of the asset, or if they have neither transferred nor retained substantially all the risks and rewards but have transferred control of the asset.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.20 Financial assets (Cont'd.)

(iii) Derecognition (Cont'd.)

If the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they assess the extent to which they have retained the risks and rewards of ownership. If they haven't transferred or retained substantially all risks and rewards, nor transferred control of the asset, they continue to recognise the transferred asset to the extent of their continuing involvement. In this scenario, the Group and the Company also recognise an associated liability, and both are measured based on the rights and obligations retained.

Continuing involvement, such as a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group or the Company could be required to repay.

(iv) Impairment

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. These ECLs are based on the difference between the contractual cash flows due and all the cash flows expected to be received, discounted at an approximation of the original effective interest rate. Expected cash flows include those from collateral sale or other credit enhancements integral to the contract terms.

ECLs are recognised in two stages:

- For credit exposures without a significant increase in credit risk since initial recognition, ECLs cover credit losses possible within the next 12 months.
- For exposures with a significant increase in credit risk, a loss allowance covers credit losses expected over the remaining exposure life, regardless of default timing.

For trade receivables and contract assets, a simplified approach calculates ECLs based on lifetime ECLs at each reporting date, using a provision matrix grounded in historical loss experience adjusted for forward-looking factors.

A financial asset is considered in default when payments are 90 days past due, or when information suggests full recovery is unlikely, considering any credit enhancements held. Financial assets are written off when full contractual cash flow recovery is improbable.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.21 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are categorised at initial recognition as either financial liabilities at fair value through profit or loss, loans and borrowings, payables, or derivatives designated as effective hedging instruments.

Upon initial recognition, all financial liabilities are recorded at fair value, with loans and borrowings and payables recognised net of directly attributable transaction costs.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of two categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

Financial liabilities held for trading include those incurred for the purpose of repurchasing in the near term, as well as derivative financial instruments not designated as hedging instruments. Embedded derivatives are also classified as held for trading unless designated as effective hedging instruments.

Gains or losses on these liabilities are recognised in the statement of profit or loss.

Financial liabilities designated at fair value through profit or loss upon initial recognition are designated at the inception date if they meet the criteria outlined in MFRS 9.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

2. Summary of material accounting policies (Cont'd.)

2.21 Financial liabilities (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial liabilities at amortised cost (loans and borrowings)

Interest-bearing loans and borrowings, the most relevant category to the Group and the Company, are subsequently measured at amortised cost using the effective interest rate (EIR) method after initial recognition. Gains and losses are recognised in profit or loss upon derecognition of the liabilities, as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition, as well as fees or costs integral to the effective interest rate. The amortisation of the effective interest rate is recorded as finance costs in the profit or loss.

This category primarily encompasses interest-bearing loans and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation it represents is discharged, cancelled, or expires. Additionally, if an existing financial liability is replaced by another from the same lender with substantially different terms, or if the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. Any difference in the respective carrying amounts is recognised in the profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.22 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 ("Group CEO") that makes strategic decisions.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

3. Critical accounting estimates and judgements

The directors continually evaluate estimates and judgments based on historical experience and other factors, including expectations of future events deemed reasonable under the circumstances. However, resulting accounting estimates may rarely align precisely with actual results.

Outlined below are estimates and assumptions posing a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next financial year:

(i) Deferred tax assets

Deferred tax assets primarily stem from unutilised tax incentives, unabsorbed capital allowances, and tax loss carryforwards. These assets are recognised to the extent that future taxable profits are probable, which involves significant assumptions. These assumptions pertain to regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel prices, maintenance costs, and currency movements. They are based on past performance adjusted for non-recurring circumstances and a reasonable growth rate. Management believes that these projections indicate the utilisation of temporary differences, leading to the recognition of deferred tax assets as of the reporting date. Significant changes to the estimates of base fare, load factor and foreign exchange rates will result in variation in the carrying amount of deferred tax assets recognised.

(ii) Provision for aircraft maintenance

The Group and the Company have contractual obligations to maintain leased aircraft throughout the lease period and to return them to lessors at lease-end under specific pre-agreed conditions. Management estimates and accrues costs for overhaul, restoration, and redelivery over the lease term. These estimates hinge on factors like anticipated aircraft utilisation rates, including flying hours and cycles leading up to the next overhaul, projected costs from routine and non-routine checks, and the timing of maintenance work. However, actual results may diverge considerably from these estimates due to variations in aircraft utilisation and the timing of maintenance activities.

(iii) Impairment assessment of financial assets

The Group and the Company utilise the simplified approach under MFRS 9 to gauge expected credit losses, employing a lifetime expected loss allowance for all receivables, including balances with intercompany and related parties. At each reporting date, the Group and the Company evaluate credit risk, assessing whether there have been significant increases since initial recognition. Impairment provisions for receivables are founded on assumptions regarding default risk and anticipated loss rates. In making these assumptions and selecting inputs for impairment calculations, judgment is exercised, drawing from the Group's and the Company's historical data, prevailing market conditions, and forward-looking estimates tailored to individual debtors and/or group of debtors at the close of each reporting period.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

3. Critical accounting estimates and judgements (Cont'd.)

Outlined below are estimates and assumptions posing a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next financial year (Cont'd.):

(iv) Provision for additional loss in the investment in PT Indonesia AirAsia Extra ("IAAX")

During the financial period ended 31 December 2022, IAAX, a joint venture of the Company, received a Tax Underpayment Assessment Letter from the Indonesia Tax Office (ITO), demanding a payment of RM200.7 million for tax underpayment in the fiscal year 2017. The tax audit for the year assessment 2018 and 2019 were completed during the financial year and the ITO raised an additional assessment of RM236.6 million.

IAAX has disputed the tax assessments by the ITO and has submitted objection letters and appeal letters to the ITO. ITO has rejected the appeal by IAAX and the case has been brought to court. In the event the dispute is ruled in favour of the ITO, it is unlikely that IAAX will be able to pay the additional tax. Per Indonesian tax regulations, tax collection actions target "tax bearers" of corporate taxpayers, including shareholders. Consequently, the Company, as IAAX's shareholder, could be liable for IAAX's RM215.9 million tax payable, based on its equity interest in IAAX.

(v) Recoverability of amounts owing by subsidiary companies, associated company and related parties

During the current financial year, the Group and the Company conducted assessments of the credit risks associated with amounts owed by an associated company, certain subsidiary companies, and related parties. Using the ECL model, these evaluations were performed individually for each debt at each reporting date. The objective was to ascertain whether there had been any significant increases in credit risk since the initial recognition of these financial assets. This approach allows the Group and the Company to stay informed about the financial health of these entities and make informed decisions regarding the recoverability of these amounts.

The amounts owing by associated company, subsidiary companies and related parties are disclosed in Note 23, Note 24 and Note 25 respectively.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

3. Critical accounting estimates and judgements (Cont'd.)

Outlined below are estimates and assumptions posing a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next financial year (Cont'd.):

(vi) Contract liability for travel voucher

The Group and the Company have committed to issue travel vouchers to compensate passengers affected by flight cancellations during the Covid-19 pandemic. These vouchers typically have an average expiry date of 5 years from the date of issuance.

In 2023, management reviewed and adjusted the method used to calculate the provision for travel vouchers. Previously, estimates were based on past "No Show" trends, referring to passengers who purchased flight tickets but didn't board their scheduled flights. However, management determined that this trend wasn't an accurate representation of the travel voucher liabilities. Instead, for the financial year ended 31 December 2023, management estimated the liability required based on the historical redemption rate of the travel vouchers. Actual utilisation may still vary significantly from these estimates.

(vii) Incremental borrowing rate for the discounting of lease payment

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, they uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

3. Critical accounting estimates and judgements (Cont'd.)

Outlined below are estimates and assumptions posing a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next financial year (Cont'd.):

(viii) Provision for profit-sharing

Under the scheme of arrangement with scheme creditors sanctioned by the High Court of Malaya on 16 March 2022 on the proposed debt restructuring, Class A and Class B scheme creditor will be entitled to an annual profit-sharing mechanism, calculated based on the pro-rating of the payout pool, which equates to 20% of the excess over RM300 million of adjusted earnings before interest, taxes, depreciation, amortisation and lease rentals ("EBITDAR") for the financial years ending 2023 to 2026 ("applicable financial year"). The profit-sharing mechanism has no prejudice to the scheme and without limiting or affecting the debt settlement and waiver, Class A and Class B creditors shall received a portion of AAX's profits subject to and based on the terms of the profit-sharing mechanism.

During the financial year ended 31 December 2023, management has estimated the provision for profit sharing for scheme creditor based on possible scenarios of the forecast projected EBITDAR for financial year 2024 to financial year 2026 resulting in a provision for profit sharing or RM46 million. Actual payout of the profit share will deviate if actual results deviate significantly against the forecast.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

4. Revenue

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000**	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 31.12.2022 RM'000**
Revenue from contracts with customers	2,526,653	798,113	2,526,653	798,113
Aircraft operating lease income	-	27,164	-	27,164
Management fee	443	583	-	-
	2,527,096	825,860	2,526,653	825,277
Revenue from contracts with customers				
Type of goods or services				
Scheduled flights	1,673,926	272,387	1,673,926	272,387
Charter flights	18,796	105,625	18,796	105,625
Freight services	151,673	341,595	151,673	341,595
Ancillary revenue	682,258	78,506	682,258	78,506
	2,526,653	798,113	2,526,653	798,113
Timing of revenue recognition				
At a point of time	2,526,653	798,113	2,526,653	798,113

Ancillary revenue includes baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sale of meals and merchandise.

Salient terms of revenue from contracts with customers:

i) Scheduled flights	-	Tickets bought are valid over a period of 30 - 60 days and refunds for airport tax are claimable up to 6 months period of travel date.
ii) Charter flights	-	Full upfront payment before the flight.
iii) Freight services	-	Credit term of 30 days (2022: 30 days) from invoice date.
iv) Ancillary services	-	Normally settle by cash and generally no refunds.

Unsatisfied performance obligations represented by sales in advance is disclosed in Note 34. Contract balances, represented by trade receivables and amount due from AirAsia Berhad are disclosed in Note 22 and Note 25 respectively.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

5. Staff costs

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000**	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 31.12.2022 RM'000**
Wages, salaries, bonuses and allowances	187,499	96,689	183,549	95,067
Defined contribution retirement plan	16,572	9,753	16,572	9,753
	204,071	106,442	200,121	104,820

Included in staff costs are Directors' remunerations as disclosed in Note 8.

6. Depreciation

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000 Restated**	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 31.12.2022 RM'000 Restated**
Property, plant and equipment (Note 15)	21,807	-	21,807	-
Right-of-use assets (Note 16)	162,588	40,270	162,588	40,270
	184,395	40,270	184,395	40,270

7. Maintenance and overhaul

Maintenance and overhaul include routine and non-routine maintenance of the aircraft airframe, engines, landing gear, wheels and other consumable spares.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

8. Directors' remuneration

Details of remunerations paid to Directors are as follows:

	Group and Company		
	Fees RM'000	Emoluments/ Other allowances RM'000	Total RM'000
2023			
Non-Executive Directors:			
Datuk Kamarudin Bin Meranun	85	507	592
Dato' Fam Lee Ee	207	18	225
Tan Sri Asmat Bin Kamaludin	172	14	186
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	204	13	217
Ahmad Al Farouk bin Ahmad Kamal	131	15	146
Chin Min Ming	116	18	134
Dato' Sri Mohammed Shazalli Bin Ramly	22	2	24
Dato' Abdul Mutalib Bin Alias	24	2	26
Total Non-Executive Directors	961	589	1,550

	Group and Company		
	Fees RM'000	Emoluments/ Other allowances RM'000	Total RM'000
2022			
Non-Executive Directors:			
Datuk Kamarudin Bin Meranun	95	8	103
Tan Sri Anthony Francis Fernandes	76	8	84
Dato' Lim Kian Onn	86	12	98
Dato' Fam Lee Ee	163	21	184
Tan Sri Rafidah Aziz	229	12	241
Tan Sri Asmat Bin Kamaludin	132	17	149
Dato' Yusli Bin Mohamed Yusoff	101	11	112
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	88	6	94
Ahmad Al Farouk bin Ahmad Kamal	44	4	48
Chin Min Ming	6	-	6
Total Non-Executive Directors	1,020	99	1,119

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

8. Directors' remuneration (Cont'd.)

Further analysis of remuneration paid to the Directors are as follows:

	Group and Company Number of Directors 31.12.2023	31.12.2022
Non-executive Directors:		
Less than RM100,000	2	5
RM100,001 to RM150,000	2	3
RM150,001 to RM200,000	1	1
More than RM200,000	3	1

9. Other operating expenses

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

	Group 1.1.2023 to 31.12.2023 RM'000	Group 1.7.2021 to 31.12.2022 RM'000	Company 1.1.2023 to 31.12.2023 RM'000	Company 1.7.2021 to 31.12.2022 RM'000
Management fee	(443)	229	3,458	1,838
Rental of land and buildings (Note 16)	2,861	1,982	2,861	1,982
Auditors' remuneration				
- Statutory audit	817	735	680	680
- Non-audit fees	2,500	1,700	2,500	1,700
Rental of equipment (Note 16)	8	9	8	9
Advertising expenses	(1,166)	1,672	(1,166)	1,672
Credit card charges	28,464	7,917	28,464	7,917
In-flight meal expenses	8,282	199	8,282	199
Insurance expenses	18,457	24,586	18,457	24,586
Allowance for/(reversal of) expected credit losses on:				
- Trade and other receivables (Note 22)	16,854	85,882	16,854	85,882
- Amount due from an associate (Note 23)	-	366,160	-	-
- Amount due from subsidiaries (Note 24)	-	-	-	382,862
- Amount due from related parties (Note 25)	498	(9,288)	498	(9,288)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

9. Other operating expenses (Cont'd.)

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

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000
Reversal of inventories written-off (Note 21)	-	(9,190)	-	(9,190)
Reversal of impairment loss on property, plant and equipment (Note 15)	-	(157,016)	-	(157,016)

10. Other income

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000
Debt settlement and waiver of debts pursuant to the Debt Restructuring	-	34,313,138	-	34,398,721
Reversal of provision for travel voucher	185,819	-	185,819	-
Reversal of impairment loss on amount due from an associate (Note 23)	37,940	-	-	-
Reversal of impairment loss on amount due from subsidiaries (Note 24)	-	-	38,268	-
Reversal of provision for doubtful debt	15,833	15,425	-	15,425
	239,592	34,328,563	224,087	34,414,146

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

11. Finance income/(costs) and net foreign exchange loss

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000 Restated	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000 Restated
(a) Finance income:				
Interest income from deposits with licensed bank	2,583	1,548	2,583	1,548
Other interest income	119	-	119	-
	2,702	1,548	2,702	1,548
Effect of discounting on financial instruments	-	5	-	5
	2,702	1,553	2,702	1,553
(b) Finance costs:				
Interest expense on lease liabilities (Note 31)	(94,571)	(753,580)	(94,571)	(753,580)
Bank facilities and other charges	(2,820)	(939)	(2,820)	(939)
	(97,391)	(754,519)	(97,391)	(754,519)
Impact of discounting effect on financial instruments	(15,210)	(8,448)	(15,210)	(8,448)
	(112,601)	(762,967)	(112,601)	(762,967)

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000
(c) Net foreign exchange gain/(loss):				
Realised	38,703	(13,643)	38,703	(13,643)
Unrealised	(63,998)	(34,099)	(63,998)	(34,099)
	(25,295)	(47,742)	(25,295)	(47,742)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

12. Other loss

	Group and Company 2023 RM'000	2022 RM'000 Restated
Provision for profit sharing	-	46,000

13. Taxation

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000
Current taxation:				
Malaysian income tax	1,936	(1)	1,936	(1)
Deferred taxation:				
Relating to origination and reversal of temporary differences	10,332	(612,240)	10,332	(612,240)
Total income tax expense/(benefit)	12,268	(612,241)	12,268	(612,241)

The Group and Company are subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group and of the Company are domiciled and operate.

Domestic current income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the period.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

13. Taxation (Cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000 Restated	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000 Restated
Profit before taxation	343,773	32,696,344	345,340	32,791,045
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	82,506	7,847,123	82,882	7,869,851
Expenses not deductible for tax purposes	12,070	74,401	11,694	72,561
Income not subject to tax	(71,076)	(2,016,888)	(71,076)	(2,037,776)
Utilisation of previously unrecognised unabsorbed capital allowance	-	385	-	385
Utilisation of previously unrecognised temporary differences	(11,232)	(6,341,891)	(11,232)	(6,341,891)
Deferred tax assets recognised	-	(731,370)	-	(731,370)
Deferred tax assets not recognised	-	555,999	-	555,999
Total tax expense/(benefit)	12,268	(612,241)	12,268	(612,241)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

13. Taxation (Cont'd.)

Deferred tax assets not recognised in respect of the following items:

	Group and Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000
Other temporary differences	102,038	148,838
	102,038	148,838

Effective from the year of assessment 2019 in accordance to the Income Tax Act 1967, any unutilised tax losses of the Company as at 30 June 2021 for the year of assessment 2021 will only be made available for utilisation for tenth (10) consecutive years of assessment, i.e. from the year of assessment 2021 until the year of assessment 2031. Any unutilised tax losses after year of assessment 2031 shall be disregarded. Unabsorbed capital allowances, unutilised investment tax allowances and other deductible temporary differences do not expire under current tax legislation.

Year of expiry of unutilised tax losses is analysed as follow:

	Group and Company	
	RM'000	RM'000
Expired in 2031	718,256	843,729

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 past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

During the previous financial period, certain subsidiaries of the Company incorporated in Labuan, Wilayah Persekutuan had irrevocably elected to adopt Income Tax Act effective for the financial year ended 31 December 2022.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

14. Earnings per share (sen)

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the earnings for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	1.1.2023 to 31.12.2023	**1.7.2021 to 31.12.2022 Restated**
Earnings for the financial period (RM'000)	331,505	33,308,585
Weight average number of ordinary shares in issue ('000)	447,073	414,815
Earnings per share (sen)	74.2	8,029.7

(b) Diluted earnings per share

The diluted earnings per share of the Group is identical to the basic earnings per share as the Group has no dilutive potential ordinary shares as at the end of the reporting date. There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

15. Property, plant and equipment

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Office equipment, furniture and fittings RM'000	Pre-delivery payments RM'000 Restated	Total RM'000
Group and Company					
2023					
Net book value					
At 1 January 2023	2,815	38,273	760	-	41,848
Additions	-	15,254	-	-	15,254
Depreciation (Note 6)	(1,714)	(19,425)	(668)	-	(21,807)
At 31 December 2023	1,101	34,102	92	-	35,295
2022					
Net book value					
At 1 July 2021	-	-	-	-	-
Additions	-	2,018	3	-	2,021
Reversal of impairment loss (Note 9)	2,815	36,255	757	117,189	157,016
Reclassification	-	-	-	(117,189)	(117,189)
At 31 December 2022	2,815	38,273	760	-	41,848

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

15. Property, plant and equipment (Cont'd.)

The reconciliation of the gross carrying amount and the accumulated depreciation at the beginning and end of the financial period is as follows:

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Group and Company					
2023					
Cost	9,784	170,862	2,778	18,185	201,609
Accumulated depreciation	(8,683)	(136,760)	(2,778)	(18,093)	(166,314)
	1,101	34,102	-	92	35,295
2022					
Cost	9,784	155,608	2,778	18,452	186,622
Accumulated depreciation	(6,969)	(117,335)	(2,778)	(17,692)	(144,774)
	2,815	38,273	-	760	41,848

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

16. Right-of-use assets

The Group and the Company lease various aircraft and engines used in its operations. Leases of aircraft and engines generally have lease terms between 1 to 14 years. The Group's and the Company's obligations under these leasing arrangement are secured by the lessors' title to the leased assets.

In the previous financial period, the Group and the Company held leases of office space with lease terms of 12 months or less and leases of office equipment with low value. The Group and the Company applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Aircraft and engines RM'000 Restated
Group and Company	
As at 1 January 2023, as per previously stated	1,013,394
Prior year adjustment (Note 45)	30,918
As at 1 January 2023, restated	1,044,312
Additions	414,063
Remeasurement	3,914
Depreciation expense (Note 6)	(162,588)
Discounting effect (Note 11)	6,747
As at 31 December 2023	1,306,448
As at 1 July 2021	-
Additions	1,084,582
Depreciation expense (Note 6)	(40,270)
As at 31 December 2022, restated	1,044,312

The following are the amounts recognised in profit or loss:

	Group		**Company**	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000 Restated**	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 31.12.2022 RM'000 Restated**
Depreciation on right-of-use assets (Note 6)	162,588	40,270	162,588	40,270
Rental expense (Note 9)	2,869	1,991	2,869	1,991
Total amount recognised in profit or loss	165,457	42,261	165,457	42,261

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

17. Deferred tax assets

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January/1 July	(612,240)	-	(612,240)	-
recognised in profit or loss (Note 13)	10,332	(612,240)	10,332	(612,240)
At 31 December	(601,908)	(612,240)	(601,908)	(612,240)
Presented after appropriate offsetting as follows:				
Deferred tax assets	(920,749)	(870,844)	(920,749)	(870,844)
Deferred tax liabilities	318,841	258,604	318,841	258,604
	(601,908)	(612,240)	(601,908)	(612,240)

The components and movements of deferred tax assets and liabilities during the financial period prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unutilised tax losses RM'000	**Sales in advance RM'000**	**Total RM'000**
At 1 January 2023	(692,401)	(178,443)	(870,844)
Recognised in profit or loss	(68,120)	18,215	(49,905)
At 31 December 2023	(760,521)	(160,228)	(920,749)

Deferred tax liabilities of the Group:

	Others RM'000	**Total RM'000**
At 1 January 2023	258,604	258,604
Recognised in profit or loss	60,237	60,237
At 31 December 2023	318,841	318,841

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

17. Deferred tax assets (Cont'd.)

The components and movements of deferred tax assets and liabilities during the financial period prior to offsetting are as follows:

Deferred tax assets of the Company:

	Unutilised tax losses RM'000	Sales in advance RM'000	Total RM'000
At 1 January 2023	(692,401)	(178,443)	(870,844)
Recognised in profit or loss	(68,120)	18,215	(49,905)
At 31 December 2023	(760,521)	(160,228)	(920,749)

Deferred tax liabilities of the Company:

	Others RM'000	Total RM'000
At 1 January 2023	258,604	258,604
Recognised in profit or loss	60,237	60,237
At 31 December 2023	318,841	318,841

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward. As disclosed in Note 3(i), 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 factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. Based on these projections, management believes that these temporary differences will be utilised and has recognised the deferred tax assets as at reporting date.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

18. Investments in subsidiaries

	Company 2023 RM'000	Company 2022 RM'000
Unquoted investments, at cost	4	4

The details of the subsidiaries are as follows:

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2023 %	Group's effective equity interest 2022 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	100	100	Provision of management logistical and marketing services
AAX Mauritius One Limited*	Mauritius	100	100	Provision of aircraft leasing facilities
AAX Aviation Capital Ltd*	Malaysia	100	100	Holding company of leasing entities
AAX Leasing One Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities
AAX Leasing Two Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities
AAX Leasing Five Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities
AAX Leasing Eight Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities
AAX Leasing Ten Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities
AAX Leasing Eleven Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

18. Investments in subsidiaries (Cont'd.)

The details of the subsidiaries are as follows (Cont'd):

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2023 %	2022 %	Principal activities
AAX Leasing Twelve Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities
AAX Leasing Thirteen Ltd*^	Malaysia	100	-	Provision for aircraft leasing facilities
AAX Leasing Fourteen Ltd*^	Malaysia	100	-	Provision for aircraft leasing facilities
AAX Leasing Fifteen Ltd*	Malaysia	100	100	Provision for aircraft leasing facilities
AAX Leasing Sixteen Ltd*^	Malaysia	100	-	Provision for aircraft leasing facilities
AAX Leasing Seventeen Ltd*^	Malaysia	100	-	Provision of aircraft leasing facilities
AAX Leasing Eighteen Ltd*^	Malaysia	100	-	Provision of aircraft leasing facilities
AAX Leasing Nineteen Ltd*^	Malaysia	100	-	Provision of aircraft leasing facilities

* Audited by a firm other than Ernst & Young PLT.
^ Incorporated during the financial year.

During the year, the Company incorporated the following six new subsidiaries in Labuan, Wilayah Persekutuan:

(i) AAX Leasing Thirteen Ltd
(ii) AAX Leasing Fourteen Ltd
(iii) AAX Leasing Sixteen Ltd
(iv) AAX Leasing Seventeen Ltd
(v) AAX Leasing Eighteen Ltd
(vi) AAX Leasing Nineteen Ltd

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

19. Investment in an associate

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Unquoted investments, at cost	21,122	21,122	21,122	21,122
Group's share of post-acquisition losses	(21,122)	(21,122)	-	-
Accumulated impairment loss	-	-	(21,122)	(21,122)
	-	-	-	-

Details of the associate are as follows:

Name	Country of incorporation	Group's effective equity interest 2023 %	2022 %	Principal activity
Thai AirAsia X Co., Ltd ("TAAX")*	Thailand	49	49	Commercial air transport services

* Audited by a member of Ernst & Young Global.

TAAX is a private company for which there is no quoted market price available for its shares.

TAAX is an operator of commercial air transport services which is based in Thailand. This associated company is a strategic investment of the Group and forms an essential part of the Group's growth strategy. It provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region. TAAX has undergone a financial rehabilitation plan, which was approved by the Central Bankruptcy Court of Thailand in September 2023. Under the debt rehabilitation plan, certain debts were waived and gain arising from the waiver is recognised in the profit and loss.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

19. Investment in an associate (Cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method:

Summarised statement of financial position

	TAAX	
	2023	**2022**
	RM'000	**RM'000**
Current:		
Cash and cash equivalents	41,580	204,278
Other current assets	624,626	485,460
Total current assets	666,206	689,738
Non-current:		
Assets	761,731	1,162,663
Current:		
Financial liabilities	-	(542,916)
Other current liabilities	(1,203,964)	(1,943,510)
Total current liabilities	(1,203,964)	(2,486,426)
Non-current:		
Liabilities	(805,752)	(1,141,210)
Net liabilities	(581,779)	(1,775,235)

Summarised statement of comprehensive income

	TAAX	
	1.1.2023 to 31.12.2023	**1.7.2021 to 31.12.2022**
	RM'000	**RM'000**
Revenue	1,474,053	1,006,211
Other expenses	(966,403)	(397,525)
Finance income	-	11,716
Finance cost	(36,118)	(63,147)
Other income	115,512	6,487
Gain arising from debt rehabilitation	1,492,657	-
Net foreign exchange gain/(loss)	13,900	(81,664)
Profit before tax	2,093,601	482,078
Taxation	1,107	375
Profit after tax	2,094,708	482,453
Other comprehensive loss	-	-
Total comprehensive income	2,094,708	482,453

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

19. Investment in an associate (Cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method (Cont'd.):

Reconciliation of summarised financial information

	TAAX	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000**
Opening net liabilities at 1 January/1 July	(1,775,235)	(2,319,432)
Total comprehensive income for the financial year/period	2,094,708	482,453
Effect on foreign exchange translation	(901,252)	61,744
Closing net liabilities at 31 December	(581,779)	(1,775,235)
Cumulative unrecognised share of losses as at 1 January/1 July	(1,367,549)	(1,603,951)
Share of gain for the financial year/period	1,026,407	236,402
Cumulative unrecognised share of losses as at 31 December	(341,142)	(1,367,549)

The Group has discontinued recognition of its share of losses of TAAX because the share of losses of TAAX has exceeded the Group's interest in TAAX. As such, during the current financial year, the Group did not recognise its share of the current financial year net profit of TAAX amounting to RM1,026,407,000 (2022: RM236,402,000) and the Group's cumulative unrecognised share of losses of TAAX amounted to RM341,142,000 (2022: RM1,367,549,000).

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

20. Investment in a joint venture

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted investments, at cost	53,888	53,888	53,888	53,888
Group's share of post-acquisition losses	(53,888)	(53,888)	-	-
Accumulated impairment losses	-	-	(53,888)	(53,888)
	-	-	-	-

The details of the joint venture are as follows:

Name	Country of incorporation	Group's effective equity interest 2023 %	2022 %	Principal activity
PT Indonesia AirAsia Extra ("IAAX")*	Indonesia	49	49	Commercial air transport services

* Audited by a firm other than Ernst & Young PLT.

IAAX is a private company for which there is no quoted market price available for its shares.

The contingent liabilities relating to the Group's investment in IAAX is disclosed in Note 42.

IAAX is an operator of commercial air transport services which is based in Indonesia. This joint venture company is a strategic investment of the Company and forms an essential part of the Company's growth strategy. It provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

In previous financial period, impairment losses were recognised due to the continuous losses incurred by the joint venture. Additional losses were recognised during the financial period ended 31 December 2022 due to the matter discussed in Note 42. During the financial year, the Group has reversed the entire provision for additional loss in the investment in IAAX of RM223.2 million.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

20. Investment in a joint venture (Cont'd.)

Set out below is the summarised financial information for the joint venture which is accounted for using the equity method:

Summarised statement of financial position

	IAAX	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Current:		
Total current assets	133,518	133,518
Non-current:		
Assets	3,008	3,008
Current:		
Other current liabilities, representing total current liabilities	(624,733)	(624,733)
Non-current:		
Liabilities	7,121	7,121
Net liabilities	(481,086)	(481,086)

Summarised statement of comprehensive income

	IAAX	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000**
Cost of sales	-	(124)
Other operating expenses	-	(87)
Net foreign exchange gain	-	67
Loss after tax	-	(144)
Other comprehensive loss	-	-
Total comprehensive loss	-	(144)
Dividend received from joint venture	-	-

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

20. Investment in a joint venture (Cont'd.)

Set out below is the summarised financial information for the joint venture which is accounted for using the equity method (Cont'd.):

Reconciliation of summarised financial information

	IAAX	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000**
Opening net liabilities at 1 January/1 July	(481,086)	(470,016)
Total comprehensive loss for the financial period	-	(144)
Foreign exchange translation	-	(10,926)
Closing net liabilities at 31 December	(481,086)	(481,086)
Cumulative unrecognised share of losses as at 1 January/1 July	(282,902)	(282,831)
Share in loss for the financial period	-	(71)
Cumulative unrecognised share of losses as at 31 December	(282,902)	(282,902)

21. Inventories

	Group and Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**
At cost		
Consumables and in-flight merchandise	6,968	9,190

Cost of inventories recognised as an expense during the financial year amounted to RM16,437,745 (2022: RM4,802,402).

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

22. Trade and other receivables

		Group		Company	
	Note	**31.12.2023 RM'000**	**31.12.2022 RM'000 Restated**	**31.12.2023 RM'000**	**31.12.2022 RM'000 Restated**
Non-current					
Deposits	(c)	321,492	221,318	321,492	221,318
Prepayments	(d)	114,774	12,930	114,774	12,930
		436,266	234,248	436,266	234,248
Current					
Trade receivables		38,793	58,032	38,793	58,032
Less: Allowance for expected credit losses		(1,249)	(8,883)	(1,249)	(8,883)
Trade receivables, net	(a)	37,544	49,149	37,544	49,149
Other receivables		411,362	452,550	409,646	387,439
Less: Allowance for expected credit losses		(396,477)	(380,511)	(396,477)	(380,511)
	(b)	14,885	72,039	13,169	6,928
Deposits		127,249	64,783	127,249	17,930
Less: Allowance for expected credit losses		(1,991)	(2,151)	(1,991)	(2,151)
	(c)	125,258	62,632	125,258	15,779
Prepayments	(d)	46,923	46,814	46,896	42,366
Other receivables, net		187,066	181,485	185,323	65,073
		224,610	230,634	222,867	114,222

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

22. Trade and other receivables (Cont'd.)

	Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000 Restated
Total trade and other receivables		660,876	464,882	659,133	348,470
Add: Deposits, cash and bank balances	29	57,689	176,710	57,113	176,373
Amount due from subsidiaries	24	-	-	32,830	-
Amount due from an associate	23	32,641	29	-	-
Amount due from related parties	25	435,550	131,848	435,413	132,580
Less: Prepayments		(161,697)	(59,744)	(161,670)	(55,296)
Total financed assets carried at amortised cost	39(a)	1,025,059	713,725	1,022,819	602,127

The normal trade credit terms of the Group and of the Company range from 15 to 30 days (2022: 15 to 30 days). Trade receivables comprised mainly amounts due from travel agents and credit card merchants.

(a) Trade receivables

(i) Credit risk

The ageing of trade receivables as at the end of the financial year was:

	Group and Company Gross carrying amount RM'000	Individual impairment RM'000	Net balance RM'000
2023			
Current (not past due)	37,228	-	37,228
1 to 30 days past due	-	-	-
31 to 60 days past due	125	-	125
61 to 90 days past due	9	-	9
More than 90 days past due	1,431	(1,249)	182
	38,793	(1,249)	37,544

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

22. Trade and other receivables (Cont'd.)

(a) Trade receivables (Cont'd.)

(i) Credit risk (Cont'd.)

The ageing of trade receivables as at the end of the financial year was (Cont'd.):

	Group and Company		
	Gross carrying amount RM'000	**Individual impairment RM'000**	**Net balance RM'000**
2022			
Current (not past due)	38,138	-	38,138
1 to 30 days past due	-	-	-
31 to 60 days past due	922	-	922
61 to 90 days past due	2,784	-	2,784
91 to 120 days past due	5,870	-	5,870
121 to 180 days past due	1,214	-	1,214
More than 180 days	9,104	(8,883)	221
	58,032	(8,883)	49,149

The carrying amounts of trade receivables individually determined to be impaired are as follows:

	Group and Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**
More than 180 days	1,249	8,883
Less: Allowance for expected credit losses of receivables	(1,249)	(8,883)
	-	-

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

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

	Group and Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**
At 1 January 2023/1 July 2021	8,883	7,397
Written off	(8,342)	-
Charged to profit or loss (Note 9)	708	1,486
At 31 December	1,249	8,883

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

22. Trade and other receivables (Cont'd.)

(b) Other receivables

Other receivables include other debtors and refunds of goods and service tax receivable from the authorities in various countries in which the Group and the Company operate.

(i) Credit risk

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

	Group and Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**
At 1 January 2023/1 July 2021	380,511	297,601
Written off	(180)	(1,486)
Charged to profit or loss (Note 9)	16,146	84,396
At 31 December	396,477	380,511

(c) Deposits

Deposits of the Group and of the Company at the reporting date are with a number of external parties.

Deposits include security deposits paid to lessors for leased aircraft, funds placed with lessor in respect of maintenance of the leased aircraft and deposits for acquisition of aircraft. These deposits are denominated in USD.

(d) Prepayments

Prepayments include prepayments for maintenance of aircraft, advances made for purchases of fuel, lease of aircraft and maintenance of engines.

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group and the Company do not hold any collateral as security.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

22. Trade and other receivables (Cont'd.)

The currency profile of trade and other receivables (excluding prepayments) are as follows:

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Ringgit Malaysia	35,755	42,888	35,755	42,888
US Dollar	454,415	348,230	454,415	236,266
Australian Dollar	4,900	424	3,184	424
Indian Rupee	1,610	1,671	1,610	1,671
Chinese Renminbi	192	1,924	192	1,924
Japanese Yen	1,482	227	1,482	227
Others	825	9,774	825	9,774
	499,179	405,138	497,463	293,174

23. Amount due from an associate

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Non-current				
Amount due from an associate	787,801	-	-	-
Less: Allowance for expected credit losses of amount due from an associate	(755,160)	-	-	-
	32,641	-	-	-
Current				
Amount due from an associate	-	755,518	-	-
Less: Allowance for expected credit losses of amount due from an associate	-	(755,489)	-	-
	-	29	-	-

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

23. Amount due from an associate (Cont'd.)

Movements on allowance for impairment of amount due from an associate is as follows:

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
At 1 January 2023/1 July 2021	(755,489)	(389,329)	-	-
Reversal of/(allowance for) expected credit losses (Note 9 & Note 10)	37,940	(366,160)	-	-
Foreign exchange loss (Note 11)	(31,722)	-	-	-
Accretion of interest (Note 11)	(5,889)	-	-	-
At 31 December	(755,160)	(755,489)	-	-

The amount due from an associate, Thai AirAsia X Co. Ltd, is unsecured, bearing effective weighted average interest rate of 10.6% per annum and repayable over 5 years. The Group reversed allowance for impairment of loss of RM37.9 million in respect of the amount due from TAAX during the financial year, in accordance with the terms of the debt rehabilitation plan detailed in Note 19.

The currency profile of amount from an associate are as follows:

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
US Dollar	32,610	-	-	-
Others	31	29	-	-
	32,641	29	-	-

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

24. Amount due from subsidiaries

	Company	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
Non-current		
Amount due from subsidiaries	788,249	-
Less: Allowance for expected credit losses of amount due from subsidiaries	(755,988)	-
	32,261	-
Current		
Amount due from subsidiaries	19,400	773,991
Less: Allowance for expected credit losses of amount due from subsidiaries	(18,831)	(773,991)
	569	-

Movements on allowance for impairment of amount due from subsidiaries is as follows:

	Company	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
At 1 January 2023/1 July 2021	(773,991)	(391,129)
Reversal of/(allowance for) expected credit losses (Note 9 & Note 10)	38,268	(382,862)
Foreign exchange loss (Note 11)	(33,207)	-
Accretion of interest (Note 11)	(5,889)	-
At 31 December	(774,819)	(773,991)

The amount due from subsidiaries are unsecured, interest free and repayable on demand. The currency profile of amount from subsidiaries are as follows:

	Company	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
US Dollar	32,830	-

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

25. Amount due from related parties

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Non-current				
Amount due from related parties	24,960	-	24,960	-
Less: Allowance for impairment of amount due from related parties	(3,025)	-	(3,025)	-
	21,935	-	21,935	-
Current				
Amount due from related parties	413,988	134,748	413,851	135,480
Less: Allowance for expected credit losses of amount due from related parties	(373)	(2,900)	(373)	(2,900)
	413,615	131,848	413,478	132,580

The increase in amount due from AirAsia Berhad is mainly due to the recovery of the aviation sector post Covid 19. It represents unremitted collection from sale of scheduled flights. The ageing analysis of these debts are as follows:

	Group and Company Carrying amount RM'000
2023	
1 to 30 days past due	155,591
31 to 60 days past due	72,125
61 to 90 days past due	63,463
91 to 120 days past due	32,880
	324,059
2022	
1 to 30 days past due	51,360
31 to 60 days past due	15,474
61 to 90 days past due	6,604
91 to 120 days past due	363
	73,801

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

25. Amount due from related parties (Cont'd.)

Movements on allowance for impairment of amount due from related parties is as follows:

	Group		Company	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023/1 July 2021	(2,900)	(12,188)	(2,900)	(12,188)
(Allowance for)/reversal of expected credit losses (Note 9)	(498)	9,288	(498)	9,288
At 31 December	(3,398)	(2,900)	(3,398)	(2,900)

The amount due from related parties are unsecured, interest free and repayable on demand.

The currency profile of amount from related parties are as follows:

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	337,388	109,599	337,388	110,331
US Dollar	98,162	1,357	98,025	1,357
Chinese Renminbi	-	1,902	-	1,902
Others	-	18,990	-	18,990
	435,550	131,848	435,413	132,580

26. Amount due to an associate

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Current				
Amount due to an associate	(4,603)	(3,380)	(4,603)	(3,380)

The amount due to an associate, Thai AirAsia X Co. Ltd, is unsecured, interest free and repayable on demand.

The currency profile of amount due to an associate is as follows:

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
US Dollar	(4,603)	(3,380)	(4,603)	(3,380)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

27. Amount due to subsidiaries

	Company	
	31.12.2023 RM'000	31.12.2022 RM'000
Amount due to subsidiaries	(11,809)	(635)

The amount due to subsidiaries are unsecured, interest free and repayable on demand.

The currency profile of amount due to subsidiaries are as follows:

	Company	
	31.12.2023 RM'000	31.12.2022 RM'000
US Dollar	(11,596)	(331)
Others	(213)	(304)
	(11,809)	(635)

28. Amount due to related parties

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Amount due to related parties	(41,401)	(8,469)	(41,401)	(8,469)

The amount due to related parties are unsecured, interest free and repayable on demand. The balances arose from trade purchases of ground handling services, provision of shared services, inflight costs and the increase is in line with the recovery of the aviation section post Covid 19.

The currency profile of amount due to related parties are as follows:

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Ringgit Malaysia	(40,298)	(6,546)	(40,298)	(6,546)
US Dollar	(406)	(1,829)	(406)	(1,770)
Chinese Renminbi	(697)	(94)	(697)	(153)
	(41,401)	(8,469)	(41,401)	(8,469)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

29. Deposits, cash and bank balances

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

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Cash and bank balances	57,689	18,632	57,113	18,295
Deposits with licensed banks	-	158,078	-	158,078
Total deposits, cash and bank balances	57,689	176,710	57,113	176,373

The currency profile of deposits, cash and bank balances are as follows:

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Ringgit Malaysia	13,341	130,423	13,341	130,414
US Dollar	3,792	3,449	3,792	3,394
Australian Dollar	5,765	23,614	5,189	23,312
Euro	375	145	375	145
Indian Rupee	19,011	2,667	19,011	2,667
Chinese Renminbi	4,852	104	4,852	104
Japanese Yen	480	1,395	480	1,395
Others	10,073	14,913	10,073	14,942
	57,689	176,710	57,113	176,373

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

29. Deposits, cash and bank balances (Cont'd.)

Reconciliation of movement of liabilities to cash flows arising from financing activities are as follows:

Group	Lease Liabilities RM'000	Term loans RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 July 2021	6,473,678	292,916	15	6,766,609
Changes from financing cash flows				
Additions	1,052,998	-	-	1,052,998
Lease modification	(84,734)	-	-	(84,734)
Finance costs (Note 11)	753,580	-	-	753,580
Repayment of borrowings	(20,084)	-	(15)	(20,099)
Settlement via redelivery of the aircraft	-	(292,916)	-	(292,916)
Debt Restructuring	(7,117,871)	-	-	(7,117,871)
Total changes from financing cash flows	1,057,567	-	-	1,057,567
Other changes				
Liability-related				
Unrealised foreign exchange loss	4,915	-	-	4,915
Balance as at 31 December 2022	1,062,482	-	-	1,062,482
Company				
Balance as at 1 July 2021	6,558,412	292,916	15	6,851,343
Changes from financing cash flows				
Additions	1,052,998	-	-	1,052,998
Finance costs (Note 11(b))	753,580	-	-	753,580
Payments	(20,084)	-	(15)	(20,099)
Settlement via redelivery of the aircraft	-	(292,916)	-	(292,916)
Debt restructuring	(7,287,339)	-	-	(7,287,339)
Total changes from financing cash flows	1,057,567	-	-	1,057,567
Other changes				
Liability-related				
Unrealised foreign exchange loss	4,915	-	-	4,915
Balance as at 31 December 2022	1,062,482	-	-	1,062,482

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

30. Trade and other payables

	Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000 Restated
Current					
Trade payables	(a)	63,302	92,362	58,092	91,095
Other payables and accruals	(b)	296,930	336,805	268,824	209,426
		360,232	429,167	326,916	300,521
Total trade and other payables		360,232	429,167	326,916	300,521

(a) Trade payables

The credit term of trade payables granted to the Group and the Company is 7 to 30 days (2022: 7 to 30 days).

(b) Other payables and accruals

Included in other payables and accruals are operational expenses and passenger service charges payable to airport authorities.

The currency profile of trade and other payables are as follows:

	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000 Restated
Ringgit Malaysia	270,137	157,936	256,739	157,936
US Dollar	90,095	71,872	70,177	71,872
Euro	-	279	-	279
Indian Rupee	-	2,768	-	2,768
Others	-	196,312	-	67,666
	360,232	429,167	326,916	300,521

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

31. Lease liabilities

	Group		Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Secured:				
- Lease liabilities	152,392	57,033	152,392	57,033
Non-current				
Secured:				
- Lease liabilities	1,359,633	1,005,449	1,359,633	1,005,449
Total lease liabilities	1,512,025	1,062,482	1,512,025	1,062,482

	Group		Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	%	**%**	**%**	**%**
Weighted average rate of finance				
- Lease liabilities	6.66	6.56	6.66	6.56

The Group's and Company's lease liabilities are repayable as follows:

	Group		Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Not later than 1 year	152,392	57,033	152,392	57,033
Later than 1 year and not later than 5 years	760,718	285,165	760,718	285,165
Later than 5 years	598,915	720,284	598,915	720,284
	1,512,025	1,062,482	1,512,025	1,062,482

The currency profile of lease liabilities are as follows:

	Group		Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
US Dollar	1,512,025	1,062,482	1,512,025	1,062,482

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

31. Lease liabilities (Cont'd.)

Lease liabilities pertain to operating leases for aircraft and engines, as disclosed in Note 16. Analysis on the maturity profile of lease liabilities is disclosed in Note 38(c).

The movement of lease liabilities during the financial period is as follows:

Group	**Lease Liabilities RM'000**
Balance as at 1 January 2023	1,062,482
Additions	395,905
Lease remeasurement	4,019
Accretion of interest (Note 11)	94,571
Payments	(112,005)
Unrealised foreign exchange loss	67,053
Balance as at 31 December 2023	1,512,025
Group	
Balance as at 1 July 2021	6,473,678
Additions	1,052,998
Lease modification	(84,734)
Accretion of interest (Note 11)	753,580
Payments	(20,084)
Debt Restructuring	(7,117,871)
Unrealised foreign exchange loss	4,915
Balance as at 31 December 2022	1,062,482
Company	
Balance as at 1 July 2023	1,062,482
Additions	395,905
Lease remeasurement	4,019
Accretion of interest (Note 11)	94,571
Payments	(112,005)
Unrealised foreign exchange loss	67,053
Balance as at 31 December 2023	1,512,025

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

31. Lease liabilities (Cont'd.)

The movement of lease liabilities during the financial period is as follows (Cont'd.):

Company	**Lease Liabilities RM'000**
Balance as at 1 July 2021	6,558,412
Additions	1,052,998
Accretion of interest (Note 11)	753,580
Payments	(20,084)
Debt restructuring	(7,287,339)
Unrealised foreign exchange loss	4,915
Balance as at 31 December 2022	1,062,482

32. Other provisions

(a) Provision for additional loss in the investment in IAAX

	Group and Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Non-current		
At 1 January/1 July	223,245	-
(Reversal of)/provision for additional loss	(223,245)	223,245
At 31 December	-	223,245

Details of the provision for additional losses in the investment in IAAX is disclosed in Note 42.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

32. Other provisions (Cont'd.)

(b) Provision for profit-sharing

	Group and Company	
	31.12.2023 RM'000	**31.12.2022 RM'000 Restated**
Current	13,000	13,000
Non-current	33,000	33,000
	46,000	46,000

Under the scheme of arrangement with scheme creditors sanctioned by the High Court of Malaya on 16 March 2022 on the proposed debt restructuring, Class A and Class B scheme creditor will be entitled to an annual profit-sharing mechanism, calculated based on the pro-rating of the payout pool, which equates to 20% of the excess over RM300 million of adjusted earnings before interest, taxes, depreciation, amortisation and lease rentals ("EBITDAR") for the financial years ending 2023 to 2026 ("applicable financial year").

The Group and the Company have a present obligation to pay the profit-sharing that will be triggered by generation of EBITDAR in a future period as a result of AAX being economically compelled to continue to operate in that future period.

33. Provision for aircraft maintenance

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000 Restated**	**31.12.2023 RM'000**	**31.12.2022 RM'000 Restated**
Aircraft maintenance provision				
Current	57,747	17,869	57,747	17,674
Non-current	331,774	207,899	331,774	207,899
	389,521	225,768	389,521	225,573

The movements in the provision account are as follows:

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000 Restated**	**31.12.2023 RM'000**	**31.12.2022 RM'000 Restated**
At 1 January/1 July	225,768	961,250	225,573	961,250
Additions during the financial year/period	163,753	455,863	163,948	455,668
Waiver during the financial period	-	(1,191,345)	-	(1,191,345)
At 31 December	389,521	225,768	389,521	225,573

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

34. Sales in advance

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Current	612,296	391,373	612,296	391,373
Non-current	55,320	352,139	55,320	352,139
Total	667,616	743,512	667,616	743,512

Included in sales in advance in the current financial period is the provision of travel vouchers of RM175.8 million (2022: RM434.0 million) relating to promotional air travel privileges to its passengers at the discretion of the Group.

In compliance with the scheme of arrangement, such travel privileges were provided to qualified passengers in the form of travel vouchers. Qualified passengers can utilise the travel voucher in exchange for flight arrangement from the Group of up to the equivalent value of the travel voucher subject to terms and conditions as determined by the Group base on prevailing business operations environment, and subject to change from time to time.

The travel voucher currently has a validity period of 5 years from the issuance date. In compliance with the Sanction Order, there is no cash refund at any time for any unused travel voucher.

All performance obligations are expected to be fulfilled within a year except for the non-current portion which is expected to be fulfilled between two and four years (2022: two and five years).

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

35. Share capital

	Group and Company			
	31.12.2023 '000	**31.12.2022 '000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Issued and fully paid up:				
At beginning of financial year/ period	414,815	4,148,149	1,534	1,534,044
Share consolidation	-	(3,733,334)	-	-
Share capital reduction	-	-	-	(1,532,510)
Issuance of ordinary shares during the financial year	32,258	-	49,495	-
At end of financial year/period	447,073	414,815	51,029	1,534

On 15 June 2023, the Company has completed a private placement exercise, in which the Company has issued 32,258,066 new shares with an issue price of RM1.55 per placement price.

On 24 January 2022, the High Court of Malaya approved the petition by the Company to reduce its share capital pursuant to Section 116 of the Companies Act 2016 in Malaysia from RM1,534,043,652 to RM1,534,043, represented by 4,148,149,102 ordinary shares of RM0.00037 per share.

On 14 February 2022, the Company announced the completion of the consolidation of 10 existing shares in the Company into 1 ordinary share resulting in the reduction in the number of shares from 4,148,149,102 ordinary shares of RM0.00037 each to 414,814,737 ordinary shares of RM1 each.

36. Capital commitments

Capital commitments not provided for in the financial statements are as follows:

	Group and Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Property, plant and equipment approved and contracted for:		
- within 1 year	355,701	49,256
- later than 1 year and not later than 5 years	3,089,399	2,232,412
- later than 5 years	533,502	1,522,460
	3,978,602	3,804,128

The approved and contracted capital commitments for the Group and the Company are in respect of aircraft purchase.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

37. Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

The related parties of the Group and of the Company and their relationships at 31 December 2023 are as follows:

Name of Companies	Relationship
Thai AirAsia X Co Ltd	Associate
PT Indonesia AirAsia Extra	Joint Venture
AirAsia Berhad	Shareholder of the Company for which there is no control, significant influence or joint control; common Directors and shareholders
Subsidiaries of Capital A Berhad	
- AirAsia SEA Sdn Bhd	Common Directors and shareholders
- Rokki Sdn Bhd	Common Directors and shareholders
- BIGLIFE Sdn Bhd	Common Directors and shareholders
- Ground Team Red Sdn Bhd	Common Directors and shareholders
- Teleport Everywhere Pte Ltd	Common Directors and shareholders
- AirAsia (Guangzhou) Aviation Service Limited	Common Directors and shareholders
- Santan Food Sdn Bhd	Common Directors and shareholders
- Santan Restaurant Sdn Bhd	Common Directors and shareholders
- Ikhlas Com Travel Sdn Bhd	Common Directors and shareholders
- Redbeat Academy Sdn Bhd	Common Directors and shareholders
- AirAsia Digital Sdn Bhd	Common Directors and shareholders
- AirAsia Com Travel Sdn Bhd	Common Directors and shareholders
- AirAsia Ride Sdn Bhd	Common Directors and shareholders
- Asia Digital Engineering Sdn Bhd	Common Directors and shareholders
- Capital A Berhad	Common Directors and shareholders
Associates of Capital A Berhad	
- Thai AirAsia Co Ltd	Common Directors and shareholders
- PT Indonesia AirAsia	Common Directors and shareholders
- Philippines AirAsia Inc	Common Directors and shareholders
Other related entities	
- Ormond Lifestyle Services Sdn Bhd	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	Common Directors and shareholders

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

37. Significant related party transactions (Cont'd.)

All related party transactions were carried out on agreed terms and conditions.

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and the Company. The key management compensation is disclosed in Note 37(f).

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	-	-	-	143,701
- Thai AirAsia X Co., Ltd	-	143,701	-	-
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	1,617	-	1,617	-
Sale of cargo transportation to Teleport Everywhere Pte Ltd	151,673	346,197	151,673	346,197
(b) Recharges:				
Recharges of expenses to				
- Philippines AirAsia Inc	585	595	585	595
- Thai AirAsia Co., Ltd	84	11,990	84	11,990
- PT Indonesia AirAsia	-	5,897	-	5,897
- Thai AirAsia X Co., Ltd	569	4,951	569	4,951
- PT Indonesia AirAsia Extra	-	536	-	536
- AirAsia (Guangzhou) Aviation Service Limited	(14)	1,068	(14)	1,068
- AirAsia SEA Sdn Bhd	(864)	1,001	(864)	1,001
- Ground Team Red Sdn Bhd	154	15,979	154	15,979
Recharges of expenses by				
- AirAsia Berhad	(7,985)	(4,275)	(7,985)	(4,275)
- PT Indonesia AirAsia	(271)	-	(271)	-

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

37. Significant related party transactions (Cont'd.)

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	**1.7.2021 to 31.12.2022 RM'000**	**1.1.2023 to 31.12.2023 RM'000**	**1.7.2021 to 31.12.2022 RM'000**
(c) Other charges:				
Management fees charged by AirAsia X Services Pty Ltd (Note 9)	443	(229)	(3,458)	(1,838)
In-flight entertainment system and software expense charged by Rokki Sdn Bhd	-	1,972	-	1,972
Shared service management fee charged by AirAsia SEA Sdn Bhd	(6,546)	(4,819)	(6,546)	(4,819)
Provision of food catering services charged by Ormond Lifestyle Services Sdn Bhd	2,064	-	2,064	-
Ground handling services charged by Ground Team Red Sdn Bhd	(22,489)	(6,157)	(22,489)	(6,157)
Turnaround charges charged by AirAsia (Guangzhou) Aviation Service Limited	(1,630)	(105)	(1,630)	(105)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

37. Significant related party transactions (Cont'd.)

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
(d) Receivables:				
- AAX Mauritius One Limited	-	-	32,261	-
- PT Indonesia AirAsia	20,601	-	20,464	562
- Thai AirAsia X Co., Ltd	32,641	29	-	-
- Airasia Com Travel Sdn Bhd	-	7,491	-	7,491
- Ikhlas Com Travel Sdn Bhd	4,416	6,277	4,416	6,277
- AirAsia Berhad	324,059	73,801	324,059	73,801
-Teleport Everywhere Pte Ltd	26,296	43,157	26,296	43,157
- Thai AirAsia Co., Ltd	53,505	-	53,505	-
- Airasia Aviation Management Services Sdn. Bhd.	4,147	-	4,147	-
- Others	2,526	1,122	3,095	1,292
	468,191	131,877	468,243	132,580
(e) Payables:				
- Thai AirAsia X Co., Ltd	4,603	3,380	4,603	3,380
- AirAsia Leasing Eleven Ltd	-	-	9,673	-
- AirAsia Leasing Seventeen Ltd	-	-	1,450	-
- AirAsia Sea	3,141	3,720	3,141	3,720
- Thai AirAsia Co., Ltd	-	1,807	-	1,807
- Ground Team Red Sdn Bhd	4,948	1,123	4,948	1,123
- AirAsia Com Travel Sdn Bhd	12,903	-	12,903	-
- Santan Restaurant Sdn Bhd	10,139	-	10,139	2
- Asia Digital Engineering Sdn Bhd	5,628	1,236	5,628	1,236
- Tune Protect Malaysia	3,445	-	3,445	-
- Others	1,197	583	1,883	1,216
	46,004	11,849	57,813	12,484

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

37. Significant related party transactions (Cont'd.)

(f) Key management personnel compensation:

	Group		Company	
	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000	1.1.2023 to 31.12.2023 RM'000	1.7.2021 to 31.12.2022 RM'000
Basic salaries, bonus and allowances	1,350	1,415	1,350	1,415
Defined contribution plan	162	170	162	170
	1,512	1,585	1,512	1,585

38. Financial risk management policies

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing their market risk (including fuel price risk, interest rate risk and foreign currency exchange risk), credit risk and liquidity and cash flow risk. The Group and the Company operate within defined guidelines that are approved and reviewed periodically by the Board of Directors to minimise the effects of such volatility on their financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Risk management policies and procedures are reviewed regularly to reflect changes in the market condition, and the Group's and the Company's activities.

The Group and the Company also seek to ensure that the financial resources that are available for the development of the Group's and the Company's businesses are constantly monitored and managed by implementing the turnaround plans.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

38. Financial risk management policies (Cont'd.)

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 currency 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 optimizing the return on risk.

(i) Foreign currency risk

Apart from Ringgit Malaysia ("RM"), the Group and the Company transact business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY"). Therefore, the Group and the Company are exposed to 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 2023, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on the post-tax profit for the financial year are tabulated below:

	2023		**2022**	
Change in USD rate	**+5%**	**-5%**	**+5%**	**-5%**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impact on post tax profit	(50,908)	50,908	(45,186)	45,186

The exposure to other foreign currency risk of the Group and the Company is not material and hence, sensitivity analysis is not presented.

38. 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 and the Company's receivables from customers and cash and cash equivalents.

The Group's and the Company's exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances, and receivables. As the Group and the Company do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the financial position. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures.

Credit risk relating to receivables is minimised by regular monitoring and, in addition, credit risk is controlled as the majority of the Group's and the Company's deposits and bank balances are placed 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 and the Company use a provision matrix to calculate ECLs for trade receivables and contract assets. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

As at the reporting date, the Group's and the Company's significant concentration of credit risk comprised predominantly from the amount due from AAB for unremitted sales in advance collection. The amount due from AAB is disclosed in Note 25.

(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.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

38. 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 and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Group					
At 31 December 2023					
Lease liabilities	31	152,392	304,287	456,431	598,915
Trade and other payables	30	360,232	-	-	-
Amount due to an associate	26	4,603	-	-	-
Amount due to related parties	28	41,401	-	-	-
		558,628	304,287	456,431	598,915
At 31 December 2022					
Lease liabilities	31	57,033	114,066	171,099	720,284
Trade and other payables	30	429,167	-	-	-
Amount due to an associate	26	3,380	-	-	-
Amount due to related parties	28	8,469	-	-	-
		498,049	114,066	171,099	720,284

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

38. 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.)

	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Company					
At 31 December 2023					
Lease liabilities	31	152,392	304,287	456,431	598,915
Trade and other payables	30	326,916	-	-	-
Amount due to subsidiaries	27	11,809	-	-	-
Amount due to an associate	26	4,603	-	-	-
Amount due to related parties	28	41,401	-	-	-
		537,121	304,287	456,431	598,915
At 31 December 2022					
Lease liabilities	31	57,033	114,066	171,099	720,284
Trade and other payables	30	300,521	-	-	-
Amount due to subsidiaries	27	635	-	-	-
Amount due to an associate	26	3,380	-	-	-
Amount due to related parties	28	8,469	-	-	-
		370,038	114,066	171,099	720,284

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

38. 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

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 in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Group's and the Company's financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Group's and the Company's financial position plus net debt.

The gearing ratio as at 31 December 2023 and 31 December 2022 were as follows:

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Lease liabilities (Note 31)	1,512,025	1,062,482	1,512,025	1,062,482
Less: Cash and cash equivalents (Note 29)	(57,689)	(176,710)	(57,113)	(176,373)
Net debt	1,454,336	885,772	1,454,912	886,109
Total equity attributable to equity holders of the Group and Company	116,175	(259,229)	135,419	(247,148)
Total capital	1,570,511	626,543	1,590,331	638,961
Gearing ratio	0.93	1.41	0.91	1.39

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

38. 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 current 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 and the Company's financial instruments are measured in the 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); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values of the Group's long-term amounts due from an associate and related parties and the Company's long-term amount due from subsidiaries are determined by using the discounted cashflows method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

39. Financial instruments

(a) Financial instruments by category

	Group amortised cost RM'000	Company amortised cost RM'000
31 December 2023		
Assets as per statement of financial position		
Trade and other receivables excluding prepayments	499,179	497,463
Amount due from subsidiaries	-	32,830
Amount due from an associate	32,641	-
Amount due from related parties	435,550	435,413
Deposits, cash and bank balances	57,689	57,113
Total	1,025,059	1,022,819

Liabilities as per statement of financial position

	Group amortised cost RM'000	Company amortised cost RM'000
31 December 2023		
Lease liabilities	1,512,025	1,512,025
Trade and other payables	360,232	326,916
Amount due to subsidiaries	-	11,809
Amount due to an associate	4,603	4,603
Amount due to related parties	41,401	41,401
Total	1,918,261	1,896,754

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

39. Financial instruments (Cont'd.)

(a) Financial instruments by category (Cont'd.)

	Group amortised cost RM'000	Company amortised cost RM'000
31 December 2022		
Assets as per statement of financial position		
Trade and other receivables excluding prepayments	405,138	293,174
Amount due from an associate	29	-
Amount due from related parties	131,848	132,580
Deposits, cash and bank balances	176,710	176,373
Total	713,725	602,127
Liabilities as per statement of financial position		
Lease liabilities	1,062,482	1,062,482
Trade and other payables	429,167	300,521
Amount due to subsidiaries	-	635
Amount due to an associate	3,380	3,380
Amount due to related parties	8,469	8,469
Total	1,503,498	1,375,487

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

39. Financial instruments (Cont'd.)

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Counterparties without external credit rating				
Group 1	-	-	-	-
Group 2	37,228	38,138	37,228	38,138
Total trade receivables that are neither past due nor impaired (Note 22 (a)(i))	37,228	38,138	37,228	38,138

		Group		Company	
	Note	**31.12.2023 RM'000**	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Deposits, cash and bank balances					
AAA to A-		57,338	176,177	56,762	176,177
BBB to BBB-		-	375	-	38
		57,338	176,552	56,762	176,215
Cash on hand		351	158	351	158
Total	29	57,689	176,710	57,113	176,373

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

39. Financial instruments (Cont'd.)

(b) Credit quality of financial assets (Cont'd.)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates (Cont'd.):

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Amount due from subsidiaries, an associate, a joint venture and related parties				
Group 1	-	-	-	-
Group 2	468,191	131,877	468,243	132,580
Total	468,191	131,877	468,243	132,580

Group 1 – New customers/related parties (less than 6 months)

Group 2 – Existing customers/related parties (more than 6 months)

All other receivables and deposits are substantially with existing counterparties.

40. Segmental information

Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions by the Group's CEO who is identified as the chief operating decision maker.

The Group's CEO considers the business from a geographic perspective. The operating segments have been identified by each Air Operator Certificate ("AOC") held under the AirAsia brand, and are categorised as Malaysia, Thailand and Indonesia.

The Group's CEO assesses the performance of the operating segments based on revenue and net operating profit.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

40. Segmental information (Cont'd.)

The Group's operations by geographical segments are as follows:

2023	Malaysia RM'000	Thailand RM'000	Elimination adjustments RM'000	Total RM'000
Segment results				
Revenue	2,527,096	1,474,053	-	4,001,149
Operating expenses				
- Staff costs	(204,071)	(115,339)	-	(319,410)
- Depreciation	(184,395)	(70,857)	-	(255,252)
- Aircraft fuel expenses	(1,256,429)	(210,631)	-	(1,467,060)
- Maintenance and overhaul	(351,045)	(100,245)	-	(451,290)
- User charges	(247,619)	(120,572)	-	(368,191)
- Aircraft operating lease expenses	(72,158)	-	-	(72,158)
- Other operating expenses	(195,249)	(348,759)	-	(544,008)
- Reversal of additional loss in the investment in IAAX	223,245	-	-	223,245
Other income	239,592	115,512	-	355,104
Gain arising from debt rehabilitation	-	1,492,657	-	1,492,657
Operating profit	478,967	2,115,819	-	2,594,786
Finance income	2,702	-	-	2,702
Finance costs	(112,601)	(36,118)	-	(148,719)
Net operating profit	369,068	2,079,701	-	2,448,769
Net foreign exchange (loss)/gain	(25,295)	13,900	-	(11,395)
Profit before taxation	343,773	2,093,601	-	2,437,374
Taxation	(12,268)	1,107		(11,161)
Profit after taxation	331,505	2,094,708	-	2,426,213

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

40. Segmental information (Cont'd.)

The Group's operations by geographical segments are as follows (Cont'd.):

2022	Malaysia RM'000 Restated	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000 Restated
Segment results					
Revenue	825,860	1,006,211	-	-	1,832,071
Operating expenses					
- Staff costs	(106,442)	(25,546)	(5)	-	(131,993)
- Depreciation	(40,270)	(67,425)	(119)	-	(107,814)
- Aircraft fuel expenses	(354,896)	(89,598)	-	-	(444,494)
- Maintenance and overhaul	(472,353)	(68,731)	-	-	(541,084)
- User charges	(96,965)	(30,886)	-	-	(127,851)
- Aircraft operating lease expenses	(33,637)	(47,817)	-	-	(81,454)
- Other operating expenses	(275,115)	(67,522)	(87)	-	(342,724)
- Provision for additional loss in the investment in IAAX	(223,245)	-	-	-	(223,245)
Other income	34,328,563	6,487	-	-	34,335,050
Other loss	(46,000)	-	-	-	(46,000)
Operating profit/ (loss)	33,505,500	615,173	(211)	-	34,120,462
Finance income	1,553	11,716	-	-	13,269
Finance costs	(762,967)	(63,147)	-	-	(826,114)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

40. Segmental information (Cont'd.)

The Group's operations by geographical segments are as follows (Cont'd.):

2022 (Cont'd.)	Malaysia RM'000 Restated	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000 Restated
Segment results (Cont'd.)					
Net operating profit/(loss)	32,744,086	563,742	(211)	-	33,307,617
Net foreign exchange (loss)/ gain	(47,742)	(81,664)	67	-	(129,339)
Profit/(loss) before taxation	32,696,344	482,078	(144)	-	33,178,278
Taxation	612,241	375	-	-	612,616
Profit/(loss) after taxation	33,308,585	482,453	(144)	-	33,790,894
2023					
Segment assets					
Non-current assets^	2,434,493	761,731	3,008	-	3,199,232
Current assets	703,080	666,206	133,518	-	1,502,804
	3,137,573	1,427,937	136,526	-	4,702,036
Segment liabilities					
Non-current liabilities	(1,779,727)	(805,752)	7,121	-	(2,578,358)
Current liabilities	(1,241,671)	(1,203,964)	(624,733)	-	(3,070,368)
	(3,021,398)	(2,009,716)	(617,612)	-	(5,648,726)
2022					
Segment assets					
Non-current assets^	1,932,648	1,162,663	3,008	(268,288)	2,830,031
Current assets	550,146	689,738	133,518	(152,690)	1,220,712
	2,482,794	1,852,401	136,526	(420,978)	4,050,743

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

40. Segmental information (Cont'd.)

The Group's operations by geographical segments are as follows (Cont'd.):

2022 (Cont'd.)	Malaysia RM'000 Restated	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
Segment liabilities					
Non-current liabilities	(1,821,732)	(1,141,210)	7,121	23,434	(2,932,387)
Current liabilities	(920,291)	(2,486,426)	(624,733)	152,690	(3,878,760)
	(2,742,023)	(3,627,636)	(617,612)	176,124	(6,811,147)

^ Excluding investment in an associate and a joint venture.

	2023 RM'000	2022 RM'000 Restated
(a) Reconciliation of segment revenue to reported revenue:		
Segment revenue	4,001,149	1,832,071
Less: Revenue from an associate and a joint venture which were not consolidated	(1,474,053)	(1,006,211)
	2,527,096	825,860
(b) Reconciliation of segment profit before taxation to reported loss before taxation:		
Segment profit before taxation	2,437,374	33,178,278
Less: Expenses from an associate and a joint venture which were not consolidated	(2,093,601)	(481,934)
	343,773	32,696,344
(c) Reconciliation of segment assets to reported total assets:		
Segment assets	4,702,036	4,050,743
Less: Assets of an associate and a joint venture which were not consolidated	(1,564,463)	(1,567,949)
	3,137,573	2,482,794

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

40. Segmental information (Cont'd.)

	2023 RM'000	2022 RM'000
(d) Reconciliation of segment liabilities to reported total liabilities:		
Segment liabilities	(5,648,726)	(6,811,147)
Add: Liabilities of an associate and a joint venture which were not consolidated	2,627,328	4,069,124
	(3,021,398)	(2,742,023)

41. Comparative figures

The following comparative amount as at 31 December 2022 has been reclassified to conform with current year's presentation.

	As previously stated RM'000	Reclassified RM'000	As restated RM'000
Group and Company			
Non-current assets			
Trade and other receivables (Note 22)	117,059	117,189	234,248
Property, plant and equipment (Note 15)	159,037	(117,189)	41,848
Group			
Maintenance and overhaul	490,614	(18,261)	472,353
Finance income (Note 11(a))	(19,814)	18,261	(1,553)
Company			
Maintenance and overhaul	490,232	(18,261)	471,971
Finance income (Note 11(a))	(19,814)	18,261	(1,553)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

42. Contingent liabilities

During the financial period ended 31 December 2022, IAAX, a joint venture of the Company, received a Tax Underpayment Assessment Letter from the Indonesia Tax Office (ITO), demanding a payment of RM200.7 million for tax underpayment in the fiscal year 2017. The tax audit for the year assessment 2018 and 2019 were completed during the financial year and the ITO raised an additional assessment of RM236.6 million.

IAAX has disputed the tax assessments by the ITO and has submitted objection letters and appeal letters to the ITO. ITO has rejected the appeal by IAAX and the case has been brought to court. In the event the dispute is ruled in favour of the ITO, it is unlikely that IAAX will be able to pay the additional tax. Per Indonesian tax regulations, tax collection actions target "tax bearers" of corporate taxpayers, including shareholders. Consequently, the Company, as IAAX's shareholder, could be liable for IAAX's RM215.9 million tax payable, based on its equity interest in IAAX.

In 2023, the Company's Directors, based on legal opinion provided by external lawyer, believe that it is not probable that the Company will incur expenses related to IAAX's tax liability due to the lack of legal mechanism in Indonesia to effect the reciprocal arrangement with partner countries for cross-border tax collection assistance. Additionally, cross-border tax collection is not permissible if the tax is in dispute. IAAX has contested the tax claim and the case is currently pending hearing in Indonesia. Accordingly, this matter is disclosed as a contingent liability as it gives rise to a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the Company.

43. Events during the reporting period

With the Company's announcement on 16 March 2022 in relation to the completion of the Restructuring Scheme, Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated 16 March 2022 noted that with the completion of the Restructuring Scheme, the Company would have regularised its financial condition and level of operations and would no longer trigger any criteria under paragraph 2.1 of Practice Note 17 ("PN 17") of the Main Market Listing Requirements of Bursa Malaysia.

The upliftment of the Company's from PN 17 status was effective on 22 November 2023.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

44. Events after the reporting period

On 8 January 2024, AirAsia X has entered into a non-binding letter of acceptance with its related party, Capital A Berhad ("Capital A") for the Proposed Acquisitions by AirAsia X of 100% equity interest in AirAsia Berhad ("AAB") and 100% equity interest in AirAsia Aviation Group Limited ("AAAGL"), both are wholly-owned subsidiary of Capital A.

With reference to the Company's announcement on 25 April 2024, the Company proposed to undertake several proposals as follows:

(i) Proposed internal reorganisation
(ii) Proposed issuance of free warrants
(iii) Proposed private placement
(iv) Proposed AirAsia Aviation Group Limited ("AAAGL") acquisition
(v) Proposed AirAsia Berhad ("AAB") acquisition
(vi) Proposed share capital reduction
(vii) Proposed granting of subscription options

As part of the proposed internal reorganisation, all of the Company's shareholders will exchange their respective shares in the Company with shares in AirAsia Group Sdn Bhd ("AA Group"). Upon completion of the proposed internal reorganisation, the Company will become a wholly-owned subsidiary of the AA Group.

In addition, a proposal has been made for the issuance of 223,506,402 warrants on the basis of one warrant for every two AA Group shares subsequent to the proposed internal reorganisation. A private placement exercise will also be carried out to raise gross proceeds of RM1,000 million followed by a reduction of the issued share capital of AA Group to RM100 million via cancellation of paid-up share capital.

AirAsia X proposed to grant subscription option to Garynma Investments Pte Ltd on the rights to subscribe AA Group shares that represents 15% of the total enlarged issued shares in AA Group subsequent to the proposed acquisition.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

45. Prior year adjustments

(i) The provision for aircraft maintenance as of 31 December 2022 was overstated by RM59.2 million.

(ii) The right-of-use assets as of 31 December 2022 was understated by RM30.9 million as certain capital expenditures were expensed to the income statement for the period ended 31 December 2022.

(iii) In the previous financial period, the Group did not recognise the estimated obligation of RM46 million under the profit-sharing arrangement entered into with the Group's creditors in connection with the debt restructuring scheme which was completed on 16 March 2022.

The above have been adjusted for retrospectively as prior year adjustments.

The prior year adjustments did not have any impact to the balances as at 1 July 2021. Accordingly, the statements of financial positions of the Group and the Company as of 1 July 2021 are not presented.

The Group and the Company restated the affected financial statement line items for prior period to correct (i) to (iii) as follows:

Impact on equity (increase in equity)

		Group and Company 31.12.2022 RM'000
Right-of-use assets	(ii)	30,918
Total assets		30,918
Trade and other payables	(ii)	(18,120)
Provision for profit sharing	(iii)	(46,000)
Provision for aircraft maintenance	(i)	59,176
Total liabilities		(4,944)
Net impact on equity		(25,974)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

45. Prior year adjustments (Cont'd.)

The Group and the Company restated the affected financial statement line items for prior period to correct (i) to (iii) as follows (Cont'd.):

Impact on profit or loss (increase in profit)

		Group and Company 1.7.2021 to 31.12.2022 RM'000
Operating expenses		
- Depreciation	(ii)	666
- Maintenance and overhaul	(i) & (ii)	(69,676)
Other loss	(iii)	46,000
Finance costs	(ii)	(2,964)
Net impact on loss for the period		(25,974)
Attributable:		
Owners of the Company		(25,974)

Impact on statement of cash flows (increase/(decrease) in cash and cash equivalents)

	Group 1.7.2021 to 31.12.2022 RM'000	Company 1.7.2021 to 31.12.2022 RM'000
Profit before tax	25,974	25,974
Depreciation	666	666
Net gain of discounting effect on financial instruments	(2,964)	(2,964)
Operating gain before working capital changes	23,676	23,676
Increase in trade and other receivables	95	95
Decrease in trade and other payables	(23,771)	(23,771)
Net impact on cash and cash equivalents	-	-

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

45. Prior year adjustments (Cont'd.)

The Group and the Company restated the affected financial statement line items for prior period to correct (i) to (iii) as follows (Cont'd.):

Impact on basic and diluted earnings per share ("EPS") (increase in EPS)

	Group and Company 1.7.2021 to 31.12.2022 sen
Earnings per share	
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	6.2

The prior year adjustments did not have any impact to the opening balance of the comparative balances.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

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

We, Dato' Fam Lee Ee and Dato' Abdul Mutalib Bin Alias, being two of the Directors of AirAsia X Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 109 are drawn up in accordance with 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 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 April 2024.

Dato' Fam Lee Ee	Dato' Abdul Mutalib Bin Alias
Director	Director

Kuala Lumpur, Malaysia

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

I, Lavinia Louis, the officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 109 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 Lavinia Louis
at Kuala Lumpur in the Federal Territory
on 30 April 2024.

Lavinia Louis

Before me,

Commissioner for Oaths
Kuala Lumpur

PESURUHJAYA SUMPAH
W957
MOHD FARID BIN AB GHANI
DEC 2022 – 31 DEC 2024
MALAYSIA

B-9-11, Plaza Mont' Kiara,
No. 2, Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur

Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

200601014410 (734161-K)

Independent auditors' report to the members of
AirAsia X Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AirAsia X Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 7 to 109.

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 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with the 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 audit opinion.

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company 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.

EY
Building a better working world

200601014410 (734161-K)

Independent auditors' report to the members of AirAsia X Berhad (Cont'd.)
(Incorporated in Malaysia)

Key audit matters (Cont'd.)

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.

Key risk	Our response
Revenue recognition from scheduled flights and sales in advance	
For the financial year ended 31 December 2023, revenue from scheduled flights and ancillary services accounted for 93% of the Group's total revenue. The Group and the Company rely on an integrated information technology system (including the flight reservation system and revenue accounting system), in accounting for its scheduled flights and ancillary revenue. Such information system processes large volumes of data comprising individually low value transactions. The flight reservation system is managed by third party vendor. The accounting for revenue from scheduled flights and ancillary services are susceptible to management override through the posting of manual journal entries either in the underlying ledgers or as a consolidated journal. The above factors gave rise to higher risk of material misstatement in the timing and amount of revenue recognized. Accordingly, we identified revenue recognition to be a area of focus.	To address this area of focus, we performed, amongst others, the following procedures: a) Obtained an understanding and assessed the Group's information technology systems and key controls that affect the recording of revenue from passenger seat sales. As the flight reservation system is managed by a third-party vendor, we obtained and assessed the external expert's report on the operating effectiveness of the key controls over the system; b) Involved our information technology specialists to test the effectiveness of the automated controls of the key modules of the information technology system; c) Tested the non-automated controls in place to ensure the completeness and accuracy of revenue recognised, including timely updating of approved changes to base fares and ancillary fares; d) Conducted data analytics to reconcile the revenue recognised in respect of passenger seat sales and the amount of sales in advance to payments received from passengers;

EY
Building a better working world

200601014410 (734161-K)

Independent auditors' report to the members of AirAsia X Berhad (Cont'd.) (Incorporated in Malaysia)

Key audit matters (Cont'd.)

Key risk	Our Response
Revenue recognition from scheduled flights and sales in advance (Cont'd.)	
The notes relating to schedule and ancillary revenue are disclosed in Notes 2.18 and 4 to the financial statements.	e) Corroborated the occurrence of revenue by tracing samples of revenue recognised to settlement reports from financial institutions; f) Tested the reconciliation of data between the flight reservation system and the general ledger to ensure the completeness of revenue; and g) Performed procedures to verify that revenue from passenger seat sales is recorded in the appropriate accounting period.
Provision for aircraft maintenance	
As of 31 December 2023, AAX was operating 18 aircrafts under operating lease arrangements with lessors. In respect of these operating lease arrangements, the Group and the Company are 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. Management made an estimates of the costs for aircraft maintenance either through obtaining the estimated overhaul cost from third party maintenance service providers or relying on the actual incurred overhaul cost of similar aircraft component.	To address this area of focus, we performed, amongst others, the following procedures: a) Gained an understanding of the management's process for estimating aircraft maintenance costs for aircraft held under lease arrangements, including understanding the contractual obligations of the Group and of the Company arising from the lease arrangements; b) Evaluated the key assumptions adopted by management by discussing with the relevant fleet maintenance engineers and tested, on a sample basis, the accuracy of the data on aircraft utilization statistics;

Building a better working world

200601014410 (734161-K)

Independent auditors' report to the members of AirAsia X Berhad (Cont'd.)
(Incorporated in Malaysia)

Key audit matters (Cont'd.)

Key risk	Our Response
Provision for aircraft maintenance (Cont'd.)	
The management then makes provision for such costs over the flight hours, flight cycles or calendar months of the aircraft components as used. These aircraft utilization and calendar months affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term.	c) Compared the historical overhaul costs by aircraft components or quotations by suppliers for the overhaul costs against the amount of provision made by the Group and by the Company to assess the adequacy of the provision; and
A provision of RM389.5 million was recorded by AAX for the year, which represents an increase from RM225.8 million as at 31 December 2022.	d) Performed recalculation of the aircraft maintenance costs provision based on the key assumptions adopted by management.
The provision for aircraft maintenance has been identified as an area of audit focus due to the significant amount involved and the high level of judgment and estimates applied by management in determining the provision.	
The notes relating to provision for aircraft maintenance are disclosed in Notes 2.10, 3(ii) and 33 to the financial statements.	

Building a better working world

200601014410 (734161-K)

Independent auditors' report to the members of AirAsia X Berhad (Cont'd.) (Incorporated in Malaysia)

Key audit matters (Cont'd.)

Key risk	Our response
Provision for additional loss in the investment in PT Indonesia AirAsia Extra	
As disclosed in Notes 3(iv) and 42 to the financial statements, during the previous financial period ended 31 December 2022, the Company's joint venture, PT Indonesia AirAsia Extra (IAAX), received a Tax Underpayment Assessment Letter from the Indonesia Tax Office ("ITO") demanding a payment of RM200.7 million for tax underpayment in the fiscal year 2017. During the financial year ended 31 December 2023, ITO raised additional assessment of RM236.6 million in respect of fiscal year 2018 and 2019. IAAX disputed the tax assessments by the ITO and submitted objection letters and appeal letters to the ITO. ITO rejected the appeal by IAAX and the case has been brought to court. In the event the dispute is ruled in favour of the ITO, it is unlikely that IAAX will be able to pay the additional tax. Based on the prevailing tax regulation in Indonesia, tax collection actions shall be carried out against "tax bearers" of corporate taxpayers in the event of nonpayment by the corporate taxpayers. Tax bearers are defined under the tax regulation in Indonesia to include shareholders of corporate taxpayers. Consequently, the Company, as IAAX's shareholder, may be responsible for the settlement of IAAX's tax payable of RM215.9 million, computed based on the Company's equity interest in IAAX.	In addressing this area of audit focus, we performed amongst others, the following procedures: a) We assessed the external lawyers' objectivity and independence, and reviewed their credentials, qualifications, experience and reputation; b) We discussed with our internal tax specialists to understand the prevailing tax regulations in Indonesia and the effects of such regulations on the shareholders of corporate taxpayers in Indonesia; c) We discussed with the external lawyers to understand the basis and judgment applied in determining the probability of an outflow of resources embodying economic benefits, if any, required to settle the obligation; and d) We evaluated the adequacy of the disclosures of this matter.

200601014410 (734161-K)

**Independent auditors' report to the members of AirAsia X Berhad (Cont'd.)
(Incorporated in Malaysia)**

Key audit matters (Cont'd.)

Key risk	Our response
Provision for additional loss in the investment in PT Indonesia AirAsia Extra (Cont'd.) The Directors of the Company in consultation with their external lawyer are of the opinion that as at 31 December 2023, it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation for reasons further disclosed in Note 42. Accordingly, this matter is disclosed as a contingent liability in Note 42 to the financial statements as it gives rise to a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the Company. Due to the significance of this matter, we consider this to be an area of audit focus.	

Building a better working world

200601014410 (734161-K)

Independent auditors' report to the members of
AirAsia X Berhad (Cont'd.)
(Incorporated in Malaysia)

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 Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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 identified above 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, 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.

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 the 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 intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Building a better working world

200601014410 (734161-K)

Independent auditors' report to the members of AirAsia X Berhad (Cont'd.) (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 judgement and maintain professional scepticism 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 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.

- 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 or 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 or the Company to cease to continue as a going concern.

200601014410 (734161-K)

Independent auditors' report to the members of
AirAsia X Berhad (Cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

- 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 or 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, actions taken to eliminate threats or safeguards applied.

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 Company for the current period 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.

Building a better working world

200601014410 (734161-K)

Independent auditors' report to the members of AirAsia X Berhad (Cont'd.) (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

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 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT	Low Khung Leong
202006000003 (LLP0022760-LCA) & AF 0039	No. 02697/01/2025 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
30 April 2024

AIRASIA AVIATION GROUP LIMITED

LL03901
(Incorporated in Malaysia)

Accountants' Report for the years ended 31 December 2021, 31 December 2022 and 31 December 2023

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Contents	**Pages**

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statement by director

We, Tharumalingam A/L Kanagalingam and Tan Sri Jamaludin Bin Ibrahim, being the Directors of AirAsia Aviation Group Limited ("AirAsia Aviation"), do hereby state that, in the opinion of the Directors, the financial statements of the Group and of the Economic Entity set out on pages 6 to 109 are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2023 and 31 December 2022 and of the Economic Entity as at 31 December 2021 and of their financial performance and cash flows for the years then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 July 2024.

Tharumalingam A/L Kanagalingam

Tan Sri Jamaludin Bin Ibrahim

EY
Building a better working world

LL03901
AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited
Level 5(A), Main Office Tower,
Financial Park Labuan Complex,
Jalan Merdeka, 87000
Federal Territory of Labuan

Reporting Accountants' Opinion on the Consolidated Financial Statements of the Group for the financial years ended 31 December 2023 and 31 December 2022 and on the financial statements of the Economic Entity for the financial year ended 31 December 2021 contained in the Accountants' Report of AirAsia Aviation Group Limited

Opinion

We have audited the accompanying financial statements of AirAsia Aviation Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the following:

i) the consolidated statements of financial position as at 31 December 2023 and 31 December 2022 of the Group, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Group for the years ended 31 December 2023, and 31 December 2022; and

ii) the statement of financial position as at 31 December 2021 of the Economic Entity, statement of comprehensive income, statement of changes in equity and statements of cash flow for the year ended 31 December 2021;

and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 6 to 109. These financial statements have been prepared for purpose of inclusion in the circular to shareholders of AirAsia X Berhad ("AAX") in connection with the proposed sale of the Group to AAX (the "Proposal").

In our opinion, the accompanying financial statements give a true and fair view of the financial position as at 31 December 2023, 31 December 2022 of the Group and as at 31 December 2021 of the Economic Entity and the financial performance and cash flows for each of the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 paragraph below under the header Reporting Accountants' Responsibilities for the Audit of these financial statements section of our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EY
Building a better working world

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited

Independence and other ethical responsibilities

We are independent of the Group and of the Economic Entity in accordance with the By-Laws (on Professional Ethics, Conduct and Practise) of the Malaysian Institute of Accountants (By-Laws")) and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code").

Responsibility of the Directors for the financial statements

The Directors of the Group and of the Economic Entity are responsible for the preparation of the financial statements of the Group and of the Economic Entity for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors of the Group and of the Economic Entity are also responsible for such internal control as the Directors of the Group and of the Economic Entity determine is necessary to enable the preparation of these financial statements of the Group and of the Economic Entity that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Economic Entity, the Directors of the Group and of the Economic Entity are responsible for assessing the Group's and the Economic Entity'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 of the Group and of the Economic Entity either intend to liquidate the Group and the Economic Entity or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Economic Entity and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Economic Entity as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 of 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 the Group and of the Economic Entity.

Building a better working world

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited

Reporting Accountants' Responsibilities for the Audit of the Economic Entity and Consolidated 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these financial statements, 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 Economic Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Group and of the Economic Entity.

- Conclude on the appropriateness of the Directors of the Group's and of the Economic Entity's 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 the Economic Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in these financial statements 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 opinion. However, future events or conditions may cause the Group and the Economic Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of these financial statements, including the disclosures, and whether these financial statements 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 or business activities within the Group and the Economic Entity to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

LL3901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited

Reporting Accountants' Responsibilities for the Audit of the Economic Entity and Consolidated Financial Statements (cont'd.)

We communicate with the Directors of the Group and of the Economic Entity 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.

Restriction on Distribution and Use

This opinion is issued for the sole purpose of inclusion in the circular to shareholders of AirAsia X Berhad in connection with the Proposal and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

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

Low Khung Leong
No. 02697/01/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
31 July 2024

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of comprehensive income

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Revenue	4	5,630,969	22,245	-
Other income		292,281	39	-
Operating expenses				
- Staff costs	5	(674,381)	(10,954)	(23)
- Depreciation of:				
- Property, plant and equipment	10	(31,432)	(160)	-
- Investment property	11	(727)	-	-
- Right-of-use assets	21	(512,393)	(77)	-
- Impairment loss on:				
- Trade receivables	15	(122,042)	-	-
- Other receivables	15	(3,870)	(822)	-
- Goodwill	11	(160,893)	-	-
- Aircraft fuel expense		(2,375,254)	-	-
- Maintenance and overhaul		(1,365,675)	-	-
- User charges		(932,643)	-	-
- Plant and equipment written off	6	(30,441)	(1)	-
- Other operating expenses		(222,453)	(16,733)	(931)
Operating loss		(508,954)	(6,463)	(954)
Finance income	7(a)	3,000	6,815	6,257
Finance costs	7(b)	(362,790)	(10,270)	-
Net operating (loss)/profit		(868,744)	(9,918)	5,303
Foreign exchange gain/(loss)	7(c)	150,083	5,156	(1,602)
Derivative gain		10,537	-	-
Gain on remeasurement of previously held interest in associate	13	1,547,872	-	-
Share of results of associates		35,237	(297,829)	-
Profit/(loss) before taxation		874,985	(302,591)	3,701
Taxation	8	(6,686)	-	-
Net profit/(loss) for the financial year		868,299	(302,591)	3,701

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of comprehensive income (cont'd.)

		Group	
	Note	**2023**	**2022**
		RM'000	**RM'000**
Net profit/(loss) for the financial year attributable to:			
- Owners of the parent	1,137,184	(302,591)	3,701
- Non controlling interests	(268,885)	-	-
	868,299	(302,591)	3,701
Other comprehensive gain/(loss):			
Foreign currency translation differences	70,403	(34,587)	1,771
Total comprehensive income/(loss) for the financial year	938,702	(337,178)	5,472
Total comprehensive income attributable to:			
- Owners of the parent	1,207,587	(337,178)	5,472
- Non controlling interests	(268,885)	-	-
	938,702	(337,178)	5,472

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

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of financial position

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Non-current assets				
Plant and equipment	10	818,845	251	-
Right-of-use assets	21	5,398,005	824	-
Investment property	11	67,311	-	-
Intangible assets	12	4,364,528	-	-
Investment in associates	9	-	367,324	-
Investment securities	14	5,770	-	78,672
Receivables and prepayments	15	611,065	-	-
Deferred tax assets	18	268,225	-	-
		11,533,749	368,399	78,672
Current assets				
Inventories	16	137,473	-	-
Receivables and prepayments	15	515,450	100,087	536,904
Cash and bank balances	17	205,340	10,715	166
Tax recoverable		3,965	-	-
		862,228	110,802	537,070
Less: Current liabilities				
Trade and other payables	19	5,500,890	658,456	625,952
Aircraft maintenance provisions and liabilities	20	402,436	-	-
Sales in advance	19	1,205,688	-	-
Borrowings	22	430,101	18,695	-
Current portion of long term debentures	23	190,800	-	-
Lease liabilities	21	2,135,895	264	-
Tax payables		122,995	-	-
Derivative financial instruments		467	-	-
		9,989,272	677,415	625,952
Net current liabilities		(9,127,044)	(566,613)	(88,882)
Non-current liabilities				
Trade and other payables	19	21,372	-	-
Lease liabilities	21	6,183,292	564	-
Aircraft maintenance provisions and liabilities	20	230,154	-	-
Borrowings	22	490,007	151,853	-
Non current portion of long term debentures	23	359,037	-	-
Deferred tax liabilities	18	110,346	-	-
Provision for retirement benefits	24	199,534	-	-
		7,593,742	152,417	-
		(5,187,037)	(350,631)	(10,210)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of financial position (cont'd.)

	Note	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Capital and reserves				
Share capital	25	21,652	21,652	21,652
Accumulated losses		(1,326,562)	(326,204)	(19,856)
Reserves	27	(929,094)	(46,079)	(12,006)
Total shareholders' deficit		(2,234,004)	(350,631)	(10,210)
Non controlling interests		(4,050,542)	-	-
Perpetual debt securities	26	1,097,509	-	-
Total deficits		(5,187,037)	(350,631)	(10,210)

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

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of changes in equity

	Share capital RM'000 (Note 25)	Capital reserve RM'000 (Note 27)	Foreign exchange reserves RM'000	Surplus reserves RM'000 (Note 27)	Merger reserve RM'000	Accumulated losses RM'000	Total RM'000	Non controlling interests RM'000	Perpetual debt securities RM'000 (Note 26)	Total equity RM'000
Group										
At 1 January 2023	21,652	25	(46,593)	489	-	(326,204)	(350,631)	-	-	(350,631)
Total comprehensive loss	-	-	70,403	-	-	1,137,184	1,207,587	(268,885)	-	938,702
Share-based payments	-	3,786	-	-	-	-	3,786	-	-	3,786
Internal reorganisation		8,233	(16,321)		(915,501)	(2,137,542)	(3,061,131)	(3,812,575)	1,097,509	(5,776,197)
Acquisition of subsidiaries	-	(33,615)	-	-	-	-	(33,615)	(128,333)	-	(161,948)
Conversion of debentures	-	-	-	-	-	-	-	159,251	-	159,251
At 31 December 2023	21,652	(21,571)	7,489	489	(915,501)	(1,326,562)	(2,234,004)	(4,050,542)	1,097,509	(5,187,037)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of changes in equity (cont'd.)

	Share capital RM'000 (Note 25)	Capital reserve RM'000 (Note 27)	Foreign exchange reserves RM'000	Surplus reserves RM'000 (Note 27)	Accumulated loss RM'000	Total equity RM'000
Group						
At 1 January 2022	21,652	-	(12,006)	-	(19,856)	(10,210)
Total comprehensive loss	-	-	(34,587)	-	(302,591)	(337,178)
Share-based payments	-	18	-	-	-	18
Acquisition of subsidiaries	-	7	-	489	(3,757)	(3,261)
At 31 December 2022	21,652	25	(46,593)	489	(326,204)	(350,631)
Economic Entity						
At 1 January 2021	21,652	-	(13,777)	-	(23,557)	(15,682)
Total comprehensive income	-	-	1,771	-	3,701	5,472
At 31 December 2021	21,652	-	(12,006)	-	(19,856)	(10,210)

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

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of cash flows

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Cash flows from operating activities				
Profit/(loss) before taxation		874,985	(302,591)	3,701
Adjustments for:				
Depreciation of:				
- Plant and equipment	10	31,432	160	-
- Investment property	11	727	-	-
- Right-of-use assets	21	512,393	77	-
- Intangible assets		-	1	-
Impairment loss on:				
- Trade receivables	15	122,042		
- Other receivables	15	3,870	822	-
- Goodwill	12	160,893	1	-
Share of results of associates		(35,237)	297,829	-
Plant and equipment written off	10	30,441	1	-
Amortisation of debentures		-	-	-
Interest income	7(a)	(3,000)	(6,815)	(6,257)
Interest expense	7(b)	362,790	10,270	-
Share-based payments		3,786	-	-
Reversal on impairment of plant and equipment	10	(4,300)	-	-
Gain on remeasurement of previously held interest in associate		(1,547,872)	-	-
Derivative gain		(10,537)		
Aircraft maintenance provision	20	125,725	-	-
Net unrealised foreign exchange (gain)/loss	7(c)	(116,970)	(4,602)	4,950
Operating profit/(loss) before working capital changes		511,168	(4,847)	2,394
Changes in working capital:				
Receivables and prepayments		495,953	175,283	(495,893)
Payables and provisions		500,057	(53,939)	338,886
Inventories		(26,165)	-	-
Cash generated from/(used in) operations		1,481,013	116,497	(154,613)
Interest paid		(300,658)	(10,259)	-
Retirement benefit plan paid		(4,066)	-	-
Interest received	7(a)	3,000	206	-
Net cash generated from/(used in) operating activities		1,179,289	106,444	(154,613)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of cash flows (cont'd.)

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Cash flows from investing activities				
Acquisition of:				
- subsidiaries net of cash acquired	13	228,400	(3,360)	-
- additional interest in an associate		-	(174,597)	-
- plant and equipment	10	(103,852)	(98)	-
- investment securities		(3,811)	-	-
Additional subscription of shares in an associate		-	(180,232)	-
Proceeds from disposals of:				
- plant and equipment		-	3	-
- an associate		-	140	-
- an investment security	14	-	82,963	-
Net cash used in investing activities		120,737	(275,181)	-
Cash flows from financing activities				
Repayment of:				
- debentures		(252,459)	-	-
- borrowings		(183,499)		
Drawdown during the year for:				
- debentures		160,465	170,288	-
- borrowings		100,291	-	-
Payment of lease liabilities		(957,182)	(83)	-
Net (cash used in)/ generated from financing activities		(1,132,384)	170,205	-
Net (decrease)/increase for the financial year		167,642	1,468	(154,613)
Currency translation differences		1,539	9,081	1,452
Internal reorganisation		25,444	-	-
Cash and cash equivalents at beginning of the financial year		10,715	166	153,327
Cash and cash equivalents at end of the financial year		205,340	10,715	166

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

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2023

1. General information

AirAsia Aviation Group Limited ("AirAsia Aviation" or "AAAGL") is a private limited liability company, incorporated and domiciled in Malaysia. The immediate holding company is Capital A Berhad ("CAB"), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. Up to the financial year ended 31 December 2021, AAAGL equity accounted for its interests in associated companies and collectively they are known as the "Economic Entity". The Group (which comprises AAAGL and its subsidiaries) were formed in 2022 when AAAGL acquired certain subsidiaries as detailed in Note 13.

This Accountants' Report comprises the following:

(a) The consolidated statements of financial position as at 31 December 2022 and 2023 of the Group, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended; and including a summary of material accounting policy information and other explanatory notes to the financial statements.

(b) The statement of financial position as at 31 December 2021 of the Economic Entity, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;

The Group is principally engaged in investment holding, the provision of air transportation services and provision of marketing support services to the airline operators ("AOCs"). The principal activities of the subsidiaries and associates are disclosed in Note 13 and Note 9 respectively. There were no significant changes in the nature of these activities during the financial years reported in the Accountants' Report.

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

Level 5(A), Main Office Tower,
Financial Park Labuan Complex,
Jalan Merdeka,
87000 Federal Territory of Labuan,
Malaysia.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information

2.1 Basis of preparation

The financial statements of the Group and of the Economic Entity have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Labuan Companies Act, 1990.

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

For the financial year ended 31 December 2021, the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows are presented for the Company and equity accounted for its interests in associated companies and collectively they are known as the "Economic Entity".

For the financial year ended 31 December 2022 and 31 December 2023, the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial year ended 31 December 2022 and 31 December 2023 were presented as the "Group" (which comprises AAAGL and its subsidiaries) were formed in 2022 when AAAGL acquired certain subsidiaries as detailed in Note 13.

For the financial year ended 31 December 2023, the Group reported net current liabilities of RM9,127 million and a capital deficiency of RM5,187 million.

These conditions may affect the ability of the Group to meet its financial obligations as and when they fall due. The financial statements have been prepared on a going concern basis, as the immediate holding company, CAB, has agreed to provide financial support to enable the Group to meet its obligations as and when they fall due.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

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

The Economic Entity 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 Group has applied the following amendments for the first time for the financial year beginning on 1 January 2022:

Amendments to MFRS 116: Property, Plant and Equipment:
- Property, Plant and Equipment - Proceeds before intended use

Amendments to MFRS 137: Onerous Contracts
- Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 1: First-time Adoption of International Financial Reporting Standards
  - Subsidiary of a First-time Adopter
- Amendments to MFRS 9: Financial Instruments
  - Fees in the '10 Percent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 141: Agriculture
  - Taxation in Fair Value Measurements

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 137: Onerous Contracts
- Costs of Fulfilling a Contract

Amendment to MFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2022 (effective 1 April 2022)

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2023:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)
MFRS 108: Definition of Accounting Estimates (Amendment to MFRS 108)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

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

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2023: (cont'd.)

MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17)
MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)
MFRS 112: International Tax Reform - Pillar Two Model Rules (Amendment to MFRS 112)

The adoption of these new amendments, standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Economic Entity, except for:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 and MFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on Group's and the Economic Entity's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Economic Entity's financial statements.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

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 financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
MFRS 101: Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2024
MFRS 16: Lease Liability in a Sale and Leaseback (Amendments to MFRS 16)	1 January 2024
MFRS 101: Non-current Liabilities with Covenants (Amendments to MFRS 101)	1 January 2024
MFRS 7 and MFRS 107: Supplier Finance Arrangements (Amendments to MFRS 7 and MFRS 107)	1 January 2024
MFRS 121: Lack of Exchangeability (Amendments to MFRS 121)	1 January 2025
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above amendments, 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

A subsidiary is an entity over which the Group has all the following:

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee

- The ability to use its power over the investee to affect its returns

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation

2.4.1 Subsidiaries

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Business combination

Business combinations performed by the Group are either accounted using the acquisition method as prescribed under MFRS 3 or via "pooling of interest" for business combination under common control.

2.4.2.1 Pooling of interest

Business combination under common control are accounted by pooling of interest method. Accordingly, the consolidated financial statements of the Group is a continuation of the acquired entities and is accounted for as follows:

(a) The results of entities are presented as if the business combination occurred at the business combination date; and

(b) The Group 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 business combination that would otherwise be done under the acquisition method; and

(c) No new goodwill is recognised as a result of common control business combination. 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.

The financial information in the consolidated financial statements is not restated for periods prior to the business combination under common control. The Group accounts for the combination prospectively from the date on which it occurred. The effect of the business combination under pooling of interest method is disclosed in Note 13.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Business combination (cont'd.)

2.4.2.2 Internal reorganisation

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Business combination (cont'd.)

2.4.2.2 Acquisition method (cont'd.)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4.3 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.3 Investments in associates (cont'd.)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net asset of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate' in the statement of profit or loss.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.5 Plant and equipment

Plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of 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.

Where significant parts of an item of plant and equipment are required to be replaced at intervals, the Group recognises such parts in the carrying amount of the 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 period in which they are incurred.

Freehold land is not depreciated. Significant parts of an item of plant and property 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.

The useful lives for this purpose are as follows:

Building and building improvements	5 - 75 years
Aircraft and aircraft engines	5 - 25 years
Aircraft spare parts	5 and 10 years
Leasehold improvements	5 and 10 years
Motor vehicles	5 years
Computer hardware	5 years
Furniture and fittings and office equipment	5 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.5 Plant and equipment (cont'd.)

At each financial period, the Group assess 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. Refer to accounting policy Note 2.8 on impairment of non-financial assets.

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

2.6 Intangible asset

2.6.' Other intangible assets

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

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

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

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

(i) Computer software

Computer software costs recognised as intangible assets are carried at cost and are amortised on a straight line basis over their estimated useful lives of 5 years.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.6. Other intangible assets (cont'd.)

(ii) Landing rights

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

2.7 Investment properties

Investment properties is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of buildings classified as investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 to 29 years, and included in determining income. No depreciation is provided on land and buildings under construction.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.9 Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

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 include 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:

Plant and buildings	3 years
Aircraft and spare engines	2 - 19 years

2. Material accounting policy information (cont'd.)

2.10 Leases (cont'd.)

Group as a lessee (cont'd.)

(i) ROU assets (cont'd.)

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 right-of-use assets are also subject to impairment in accordance with accounting policy set out in Note 2.8.

(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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.10 Leases (cont'd.)

Group as a lessee (cont'd.)

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 lease Economics of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.11 Inventories

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

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

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

2.12 Financial assets

2.12.1 Classification

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.1 Classification (cont'd.)

Initial recognition and measurement (cont'd.)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.12.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.2 Subsequent measurement (cont'd.)

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Amortised costs

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.4 Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.4 Impairment (cont'd.)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Financial liabilities

2.13.1 Classification and measurement

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

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

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

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

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

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.13 Financial liabilities (cont'd.)

2.13.1 Classification and measurement (cont'd.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (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 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.

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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.15 Derivatives and hedge accounting (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 (loss)/gain on derivatives'.

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 has 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 expects 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.17 Provisions (cont'd.)

Contingent liabilities are not recognised in the statement of financial position but are disclosed in the notes to the 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 the 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 financial statements.

2.18 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 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 and associates operate and generate taxable income.

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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.19 Current and deferred income tax (cont'd.)

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.

2.20 Employee benefits

2.20.1 Short term employee benefits

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

2.20.2 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.

2.20.3 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.20 Employee benefits (cont'd.)

2.20.3 Defined benefit plan (cont'd.)

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; and
- Net interest expense or income.

2.20.4 Share-based payments

Employees of the Group receives 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 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.21 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.

2.21.1 Schedule flights, charter flights and ancillary services

These revenues relate 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 ticket sales as 'sales in advance' which is presented as current liabilities in line with MFRS 15. Revenue is recognised when the air transportation service is provided (i.e. recognised at a point in time).

2.21.2 Interest income

Interest income is recognised using the effective interest method.

2.21.3 Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.21 Revenue and other income (cont'd.)

2.21.3 Contract balances (cont'd.)

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., upon completion of services rendered to customer).

2.22 Foreign currencies

2.22.1 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 Group's presentation currency.

2.22.2 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.22 Foreign currencies (cont'd.)

2.22.2 Transactions and balances (cont'd.)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.23 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.23 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.

2.24 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.

2.25 Current versus non-current

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

3. Critical accounting estimates and judgments

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

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

3.1 Impairment assessment of financial assets

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

4. Revenue

	Group 2023 RM'000	2022 RM'000
Passenger flights	4,569,550	-
Ancillary services	1,030,847	-
Aviation and commercial services	26,633	22,094
Other revenue	3,939	151
	5,630,969	22,245

Revenue by reportable geographical segment is as follows:

	Group 2023 RM'000	2022 RM'000
Thailand	3,302,025	-
Indonesia	1,238,429	-
Philippines	1,042,781	-
China	27,037	22,094
Malaysia	20,697	151
	5,630,969	22,245

Timing of revenue recognition

	Group 2023 RM'000	2022 RM'000
At a point in time	5,630,969	22,245

Salient terms of the revenue from support services are as follows:

a) Scheduled flights	Normally settled by cash and refunds for airport tax are claimable up to 6 months period of travel date
b) Charter flights	Full upfront payment before the flight.
c) Ancillary services	Normally settled by cash and generally no refunds.
d) Aviation and commercial services:	Credit terms of 14 days from invoice date

There were no material unfulfilled or partially fulfilled performance obligations except for the amount classified as sales in advance as disclosed in Note 19(b).

5. Staff costs

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Salaries, bonus, allowances and other employee benefits	638,020	9,647	20
Defined contribution retirement plan	25,021	1,307	3
Defined benefit plan	11,340	-	-
	674,381	10,954	23

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

6. Loss before taxation

The following items have been charged in arriving at loss before taxation:

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Auditors' remuneration	1,677	49	19
Depreciation of:			
- Plant and equipment (Note 10)	31,432	160	-
- Investment property (Note 11)	727	-	-
Amortisation of:			
- Right-of-use assets (Note 21)	512,393	77	-
- Intangible assets (Note 12)	-	1	-
Impairment loss on:			
- Trade receivables (Note 15)	122,042	822	-
- Other receivables (Note 15)	3,870		
- Goodwill (Note 12)	160,893	-	-
Provision of aircraft maintenance during the year (Note 20)	125,725	-	-
Reversal of impairment on:			
- Plant and equipment	(4,300)	-	-
Shared services cost	7,346	92	-
Plant and equipment written off	30,441	1	-

7. Finance income/(costs) and foreign exchange gains/(losses)

(a) Finance income

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Interest income from:			
- deposits	3,000	206	-
- convertible bond issued by an associate	-	6,609	6,257
	3,000	6,815	6,257

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

7. Finance income/(costs) and foreign exchange gains/(losses) (cont'd.)

(b) Finance costs

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Interest expense on:			
- bank borrowing (Note 22)	40,968	10,259	-
- debenture (Note 23)	21,065	-	-
- defined benefits plan (Note 24)	3,795	-	-
- lease liabilities (Note 21)	234,830	-	-
Others	62,132	11	-
	362,790	10,270	-

(c) Foreign exchange gains/(loss)

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Realised	33,113	554	3,348
Unrealised	116,970	4,602	(4,950)
	150,083	5,156	(1,602)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

8. Taxation

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Current income tax			
Current year	8,547	-	-
Deferred taxation			
Relating to origination and reversal of temporary difference	(1,861)	-	-
Taxation	6,686	-	-

The principal activity of the Company is that of a Labuan non-trading activity under the Labuan Business Activity Tax Act 1990 ("LBATA").

As disclosed in Note 9(c), the Company entered into a Master Brand Licensing Agreement ("MBLA") with AirAsia Berhad ("AAB"). The MBLA was subsequently novated to Brand AA Sdn Bhd ("BAA"), a subsidiary of Capital A Berhad ("CAB"). The Company also entered into Sub-Brand Licensing Agreements ("SBLA") with the entities mentioned in Note 9(d) during the financial year. The sub brand licensing income is subjected to tax under the Income Tax Act 1967 ("ITA"), while income from other investment holding activities is subjected to tax under LBATA.

Reconciliations of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate are as follows:

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Profit/(Loss) before taxation	874,985	(302,591)	3,701
Tax calculated at tax rate of 24%* (2022: 3%# ; 2021: 3%#)	209,996	(9,078)	111
Tax effects of:			
- effect of different tax rates in other jurisdictions	30,616	(58)	-
- expenses not deductible for tax purposes	93,182	700	95
- income not subject to tax	(400,207)	(499)	(206)
- associates' results reported net of tax	8,457	8,935	-
- deferred tax assets not recognised	64,642	-	-
	6,686	-	-

* Effective tax rate in Malaysia under ITA

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates

	Group		Economic Entity
	2023	2022	2021
	RM'000	RM'000	RM'000
Quoted investments, at cost	-	1,103,269	432,602
Unquoted investments, at cost	-	139,680	161,708
Total share of post-acquisition loss	-	(870,201)	(572,372)
Exchange differences	-	(5,424)	(21,938)
	-	367,324	-
Share of fair value of quoted investment in associates	-	2,039,442	283,906

The fair values of the quoted investment in associates are categorised under Level 1 of the fair value hierarchy.

Unquoted investments include an investment in a convertible bond issued by AirAsia inc ("AA Inc")., an associated company in 2022 and 2021, amounting to RM110.3 million. The convertible bond which was acquired in 2013 is unsecured, convertible at the option of the subscriber to equity shares in AA Inc. or redeemable at par with interest; and bears interest at 6% per annum. Initially, the convertible bond matures in May 2023, however the term of the convertible bond has been renegotiated to 31 October 2024.

(a) Additional investments during the financial year of 2022

(i) In 2020 and 2021, Asia Aviation Public Company Limited ("AAV") holds 55% equity interests in Thai Airasia Company Limited ("TAA") with the Economic Entity holding the balance of the 45% equity interest. As part of AAV Restructuring in 2021, the Economic Entity disposed of its entire shareholdings in TAA to AAV for a cash consideration of RM454,296,000, resulting in TAA becoming a wholly owned subsidiary of AAV. In return, the Economic Entity acquired a 45.12% in AAV for a consideration of RM1,026,619,000. However, the acquisition of shares in AAV was only completed in early 2022. The net cash outflow for the acquisition of AAV shares amounts to approximately RM496,707,275 which was prepaid in 2021.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates (cont'd.)

(a) Additional investments during the financial year of 2022

(ii) In 2022, as part of the continuing restructuring plan for AAV and TAA, the Group completed the 45.12% equity interest in AAV. The Group further subscribed to a right issue of 773,473,814 shares of AAV at a price of THB1.75 per share (equivalent to RM174,597,000).

AAV conducted additional rights issue in 2022, which the Group did not participate, leading to a dilution in the Group's equity interest in AAV from 45.12% to 43.00% as at 31 December 2022. As at 31 December 2022, the shares in AAV, which is listed in the Stock Exchange of Thailand with a carrying amount of RM367,324,320 are pledged as securities for borrowings secured (Note 22).

As a result of conversion debentures by the debentures holders, the Group's interest in AAV were further diluted to 40.71% as at 31 December 2023.

(b) Disposal of investments during the financial year of 2022

In 2022, the Economic Entity divested 320,625,000 shares in PT AirAsia Indonesia TBK ("AAID") (representing 3% of AAID's total share capital) to the shareholders of AAID for a total consideration of IDR3,526,875,000 (equivalent to RM998,941) of which IDR455,287,500 (equivalent to RM139,535) was received in cash with the remainder as a receivable.

(c) Liquidation of AirAsia Japan Co. Ltd ("AAJ") in 2023

In 2020, the Economic Entity wrote off its investment in AirAsia Japan Co. Ltd ("AAJ") which was carried at RM403,588,043. AAJ had filed for bankruptcy as a result of unfavourable operating conditions brought about by the COVID-19 pandemic. No further losses were recognised as the share of losses in AAJ has exceeded the Economic Entity's interest in AAJ and the Economic Entity has no further obligation in respect of these losses. The bankruptcy process was subsequently completed in May 2023.

(d) Business combinations during the financial year ended 31 December 2023

On 31 May 2023, AAAGL entered into a Master Brand Licensing Agreement ("MBLA") with AirAsia Berhad ("AAB"). The MBLA subsequently has been novated to Brand AA Sdn Bhd ("Brand AA"), a subsidiary of CAB. On the same date, AAAGL entered into Sub Licensing Agreement ("SBLA") with the airline operators ("AOC") namely Thai AirAsia Company Limited ("TAA") and its parent company, Asia Aviation Public Company Limited ("AAV"). On 15 June 2023, the company entered into SBLA with PT Indonesia AirAsia ("IAA") and Philippines AirAsia Inc ("PAA") as well as their parent companies, PT Indonesia AirAsia TBK ("AAID") and AirAsia Inc. ("AA Inc."), respectively.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates (cont'd.)

(d) Business combinations during the financial year ended 31 December 2023 (cont'd.)

Effective from signing date of the SBLAs, these entities must comply with the branding and operation requirements and recommendations set by AAAGL under the SBLA. As a result, AAAGL is able to direct the relevant activities of these entities and is exposed to variable returns from its involvement with these entities.

Pursuant to this and in accordance with MFRS 10 Business Combinations, these entities, are deemed as subsidiaries of the AAAGL for accounting consolidation purposes. AAV and AAID are listed in the stock exchanges of Thailand and Indonesia respectively. These entities were regarded as associated companies and the Company has equity accounted for the results and share of net assets of these entities which forms the financial statements of the Economic Entity. The business combinations of these entities are accounted as follows:

Acquisition of TAA and AAV

Due to the SBLA signed between the Company, TAA and AAV, the business combination of TAA and AAV is accounted for as a step-up from associated company to subsidiary using the acquisition method of accounting. TAA and AAV were recognised as associated companies of AAAGL and CAB prior to the signing of the SBLA.

The gain on remeasurement of the previously held interest in TAA and AAV immediately before obtaining control is disclosed in Note 13(i).

Acquisition of IAA, PAA, AAID and AA Inc.

The business combination of IAA, PAA, AAID and AA Inc. (collectively known as the "Entities") is accounted for under the pooling of interest method. The Entities were recognised as associated companies of AAAGL and subsidiaries of CAB prior to the signing of the SBLA. Because these Entities were already regarded as subsidiaries of CAB, the consolidation of these Entities is based on pooling of interest method which is scoped out from the business combination criteria in MFRS 103 as these Entities are under common control.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates (cont'd.)

Details of the investment in associates are as follows:

Name of entity	Country of incorporation	Company's effective equity interest 2023 %	2022 %	2021 %	Principal activities
AAID+ ^	Indonesia	-	46.25	49.25	Investment holding
IAA+	Indonesia	-	47.43	49.15	Commercial air transport services
TAA*	Thailand	-	-	45.00	Commercial air transport services
AAV+*	Thailand	-	43.00	-	Commercial air transport services
PAA*f*	Philippines	-	40.00	40.00	Commercial air transport services
AAJ*+	Japan	-	66.90#	66.90#	Under bankruptcy

+ Audited by a member of Ernst & Young Global.

f Audited by a firm other than Ernst & Young.

^ Listed on the Indonesia Stock Exchange.

* Listed on the Thailand Stock Exchange.

Equity interest of 66.9% comprise both voting and non-voting share in AAJ. AirAsia Aviation held 33% of the voting shares and 67% of the non-voting shares.

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

All of investment in associates are accounted for using equity method

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates (cont'd.)

All associates have the same reporting period as the Group and the Economic Entity. 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.

Set out below is the summarised financial information for the associate which is accounted for using the equity method:

Summarised financial information for associates

Summarised statements of financial position

	AAID Consolidated	
	2022	**2021**
	RM'000	**RM'000**
Non-current assets	1,435,865	1,459,630
Current assets	81,426	48,607
Non-current liabilities	(1,336,243)	(1,094,811)
Current liabilities	(2,111,393)	(1,938,304)

Summarised statements of comprehensive income

	AAID Consolidated	
	2022	**2021**
	RM'000	**RM'000**
Revenue	1,118,899	176,823
Net loss for the financial year	(487,435)	(662,487)
Other comprehensive income/(loss)	7,481	13,248
Total comprehensive loss	(479,953)	(649,239)

Reconciliations of summarised financial information:

	AAID Consolidated	
	2022	**2021**
	RM'000	**RM'000**
Net assets	-	-
Interest in associate	46%	49%
Group's share of net assets, representing carrying value of interest in associate	-	-

The carrying amount of the above interest in investment is nil as the Economic Entity has fully shared the losses of this associate, and has no obligations to share further losses from this investment.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates (cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method: (cont'd.)

Summarised financial information for associates (cont'd.)

Summarised statements of financial position

	AirAsia Inc. 2022 RM'000	AirAsia Inc. 2021 RM'000
Non-current assets	662,541	731,526
Current assets	1,157,890	1,148,336
Non-current liabilities	(873,947)	(706,529)
Current liabilities	(4,717,249)	(4,291,972)

Summarised statements of comprehensive income

	AirAsia Inc. 2022 RM'000	AirAsia Inc. 2021 RM'000
Revenue	787,772	174,529
Net loss for the financial year	(768,968)	(627,783)
Other comprehensive income/(loss)	3,256	17,127
Total comprehensive loss	(765,712)	(610,656)

Reconciliations of summarised financial information:

	AirAsia Inc. 2022 RM'000	AirAsia Inc. 2021 RM'000
Net assets	-	-
Interest in associate	40%	40%
Group's share of net assets, representing carrying value of interest in associate	-	-

The carrying amount of the above interest in investment is nil as the Economic Entity has fully shared the losses of this associate, and has no obligations to share further losses from this investment.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates (cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method: (cont'd.)

Summarised financial information for associates (cont'd.)

Summarised statements of financial position

	AAV Consolidated 2022 RM'000	2021 RM'000
Non-current assets	7,585,963	-
Current assets	668,177	-
Non-current liabilities	(4,445,470)	-
Current liabilities	(2,793,656)	-

Summarised statements of comprehensive income

	AAV Consolidated 2022 RM'000	2021 RM'000
Revenue	2,207,657	-
Net loss for the financial year	(1,033,111)	-
Other comprehensive income	29,696	-
Total comprehensive loss	(1,003,415)	-

Reconciliations of summarised financial information:

	AAV Consolidated 2022 RM'000	2021 RM'000
Net assets	1,015,014	-
Goodwill	(160,771)	-
	854,243	-
Interest in associate	43%	-
Group's share of net assets, representing carrying value of interest in associate	367,324	-

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

9. Investment in associates (cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method: (cont'd.)

Summarised financial information for associates (cont'd.)

Summarised statements of financial position

	TAA	
	2022	**2021**
	RM'000	**RM'000**
Non-current assets	-	5,311,826
Current assets	-	377,449
Non-current liabilities	-	(4,561,557)
Current liabilities	-	(2,497,262)

Summarised statements of comprehensive income

	TAA	
	2022	**2021**
	RM'000	**RM'000**
Revenue	-	508,067
Net loss for the financial year	-	(1,564,048)
Other comprehensive income/(loss)	-	56,590
Total comprehensive loss	-	(1,507,458)

Reconciliations of summarised financial information:

	TAA	
	2022	**2021**
	RM'000	**RM'000**
Net assets	-	-
Interest in associate	-	45%
Group's share of net assets, representing carrying value of interest in associate	-	-

The carrying amount of the above interest in investment for 2021 is nil as the Economic Entity has fully shared the losses of this associate.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

10. Property, plant and equipment

	At 1 January 2023 RM'000	Acquisition of subsidiaries RM'000	Internal reorganisation RM'000	Addition RM'000	Write-off RM'000	Depreciation charge RM'000	Reversal of impairment RM'000	Exchange differences RM'000	At 31 December 2023 RM'000
Group									
Carrying amount									
Aircraft engines, airframes and service potential	-	331,870	12,713	3,366	(12,462)	(11,543)	-	8,661	332,605
Aircraft spares	-	50,511	54,018	24,259	(2,172)	(3,151)	1,736	(21,187)	104,014
Aircraft fixtures and fittings	-	8,990	53,758	59,567	(15,801)	(6,173)	-	(35,774)	64,567
Freehold land	-	86,362	54,304	-	-	-	-	(841)	139,825
Buildings	-	43,036	101,898	156	-	(3,371)	2,533	(6,064)	138,188
Motor vehicles	-	2,309	24	769	-	(1,302)	-	244	2,044
Office equipment, furniture and fittings	251	5,755	4,997	5,949	(6)	(2,046)	-	(2,592)	12,308
Office renovation	-	13,375	1,206	2,549	-	(2,960)	58	1,170	15,398
Operating plant and ground equipment	-	2,170	1,697	2,338	-	(886)	(36) -	494	4,789
In-flight equipment	-	33	42	-	-	-	9 -	33	51
Training equipment	-	4,524	-	-	-	-	- -	763	3,761
Work in progress[1]	-	970	342	4,899	-	-	- -	4,916	1,295
	251	549,905	284,999	103,852	(30,441)	(31,432)	4,300	(62,589)	818,845

[1] Work in progress completed during the financial year were reclassified to respective asset classes.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2023				
Aircraft engines, airframes and service potential	657,605	(325,000)	-	332,605
Aircraft spares	361,874	(254,121)	(3,739)	104,014
Aircraft fixtures and fittings	157,428	(92,861)	-	64,567
Freehold land	139,825	-	-	139,825
Buildings	169,612	(31,424)	-	138,188
Motor vehicles	35,660	(33,616)	-	2,044
Office equipment, furniture and fittings	86,377	(74,069)	-	12,308
Office renovation	72,591	(57,193)	-	15,398
Operating plant and ground equipment	59,833	(55,044)	-	4,789
In-flight equipment	1,842	(1,791)	-	51
Training equipment	6,941	(3,180)	-	3,761
Work in progress	1,295	-	-	1,295
	1,750,883	(928,299)	(3,739)	818,845

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	1 January 2022 RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Disposals RM'000	Depreciation charge RM'000	Exchange differences RM'000	31 December 2022 RM'000
Group							
Carrying amount							
Office equipment, furniture and fittings	-	98	323	(4)	(160)	(6)	251

	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31 December 2022			
Office equipment, furniture and fittings	839	(588)	251

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

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

	Group RM'000
Aircraft and engines pledged as security for borrowings	324,651
Freehold land and building pledged as security for borrowings	276,166
Total property, plant and equipment pledged as security for borrowings	600,817

The beneficial ownership and operational control of aircraft pledged as security for borrowings rest 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.

11. Investment property

	Group 2023 RM'000
At cost	
At 1 January	-
Acquisition of subsidiaries	67,700
Depreciation (Note 6)	(727)
Exchange differences	338
At 31 December	67,311

12. Intangible assets

Group	Landing Right RM'000	Goodwill RM'000	Total RM'000
Cost			
At 1 January 2023	-	-	-
Acquisition of subsidiaries	1,971,900	2,047,200	4,019,100
Internal reorganisation	443,900	38,395	482,295
Exchange difference	15,040	8,986	24,026
At 31 December 2023	2,430,840	2,094,581	4,525,421
Accumulated impairment			
At 1 January 2023	-	-	-
Impairment loss (Note 6)	-	(160,893)	(160,893)
	-	(160,893)	(160,893)
Net carrying amount			
At 31 December 2023	2,430,840	1,933,688	4,364,528

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

12. Intangible assets (cont'd.)

Group (cont'd.)	Computer Software RM'000	Total RM'000
Cost		
At 1 January 2022	-	-
Acquisition of subsidiaries	1	1
At 31 December 2022	1	1
Accumulated depreciation		
At 1 January 2022	-	-
Charge for the year	1	1
At 31 December 2022	1	1
Net carrying amount		
At 31 December 2022	-	-

The goodwill is subject to finalisation of the purchase price allocation ("PPA") exercise.

Landing rights

Landing rights relate to traffic rights and landing slots for destinations operated by IAA, TAA and PAA. As explained in Note 2.6, the useful life of these landing rights is estimated to be indefinite.

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:

	Landing rights RM'000	Goodwill RM'000
As at 31 December 2023		
CGU		
IAA/AAID	374,600	38,395
PAA/AA Inc.	69,300	-
TAA/AAV	1,986,940	1,895,293
	2,430,840	1,933,688

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

12. Intangible assets (cont'd.)

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

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

	Growth rate 2023	Discount rates 2023
CGU		
IAA/AAID	3%	18%
PAA/AA Inc.	3%	18%
TAA/AAV	1%	13%

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

Description	Unobservable inputs'	Inputs	Relationship of unobservable inputs to fair value
IAA/AAID	Discount rate	18%	Increased discount rate of 1% would decrease the fair value by RM54,000,000
	Long term-growth rate per annum	3%	Decreased long-term growth rate by 1% would decrease the fair value by RM24,000,000
TAA/AAV	Discount rate	13%	Increased discount rate of 1% would decrease the fair value by RM164,000,000
	Long term-growth rate per annum	3%	Decreased long-term growth rate by 1% would decrease the fair value by RM24,000,000

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

12. Intangible assets (cont'd.)

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

Description	Unobservable inputs*	Inputs	Relationship of unobservable inputs to fair value
PAA/AA Inc.	Discount rate	18%	Increased discount rate of 1% would decrease the fair value by RM290,000,000
	Long term-growth rate per annum	3%	Decreased long-term growth rate by 1% would decrease the fair value by RM164,000,000

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

Based on the assessments performed, there is no impairment of goodwill 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 2023. 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries

(i) Business combinations in 2023

As detailed in Note 9, TAA and AAV became subsidiaries of the Group in 2023. The business combination of TAA and AAV is accounted for as a step-up from associated company to subsidiary using acquisition method.

The net assets recognised in the financial statements for the step-up acquisition of TAA/AAV in 2023 were based on provisional assessment of the fair values while the Group is finalising the purchase price allocation exercise.

The gain on remeasurement of previously held interest in TAA/AAV, are as follows:

	AAV RM'000
Fair value of previously held interest	1,950,433
Less: Carrying amount of previously held interest	(402,561)
Gain on remeasurement of previously held interest	1,547,872

Details of the business combination for TAA/AAV in 2023 are as follows:

	Fair value recognised on step-up acquisition RM'000	**Carrying amount RM'000**
Non-current assets		
Property, plant and equipment	549,905	549,905
Investment property	67,700	67,700
Right of use assets	3,255,200	3,255,200
Intangible assets	1,971,900	3,143,000
Investment securities	2,300	2,300
Derivative assets	95	95
Deferred tax assets	652,400	652,400
Total non-current assets	6,499,500	7,670,600

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries

(i) Business combinations in 2023 (cont'd.)

Details of the business combination for TAA/AAV in 2023 are as follows: (cont'd.)

	Fair value recognised on step-up acquisition RM'000	Carrying amount RM'000
Current assets		
Inventories	36,100	36,100
Receivables and prepayments	630,700	630,700
Amounts due from related parties	378,000	378,000
Tax recoverable	32,100	32,100
Derivative assets	100	100
Deposits, bank and cash balances	228,400	228,400
Total current assets	1,305,400	1,305,400
Total assets	7,804,900	8,976,000
Non-current liabilities		
Borrowings	435,400	435,400
Long-term debentures	333,300	333,300
Lease liabilities	3,521,700	3,521,700
Derivative liabilities	11,100	11,100
Provision for retirement benefits	103,300	103,300
Deferred tax liabilities	394,300	394,300
Total non-current liabilities	4,799,100	4,799,100
Current liabilities		
Trade and other payables	1,121,100	1,121,100
Aircraft maintenance provisions	340,400	340,400
Sales in advance	502,600	502,600
Borrowings	198,700	198,700
Current portion of long-term debentures	288,000	288,000
Derivative liabilities	200	200
Lease liabilities	779,900	779,900
Total current liabilities	3,230,900	3,230,900
Total liabilities	8,030,000	8,030,000

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

(i) Business combinations in 2023 (cont'd.)

Details of the business combination for TAA/AAV in 2023 are as follows: (cont'd.)

	AAV RM'000
Fair value of net identifiable liabilities	(225,100)
Less: Non-controlling interests' share of profit at 57%	128,333
Group's interest in fair value of net identifiable assets	(96,767)
Goodwill on acquisition	2,047,200
Deemed consideration paid by the Group	1,950,433

	AAV RM'000
Analysis of cash flows on acquisition	
Cost of acquisition	-
Less: Cash and cash equivalents of subsidiary acquired	(228,400)
Net cash inflow on deemed acquisition of a subsidiary	(228,400)

From the acquisition date, AAV has contributed RM3,302 million of revenue and RM27 million to the Group's profit net of tax. If the business combination had taken place at the beginning of the year, AAV would have contributed RM5,635 million of revenue and RM61.1 million to the Group's profit net of tax.

(ii) Internal reorganisation in 2023

As detailed in Note 9, IAA, AAID, PAA and AA Inc. became subsidiaries of the Group in 2023 with the signing of the SBLA. The business combination of these Entities are accounted for under the pooling of interest method due to common control, as these Entities were subsidiaries of CAB prior to the signing of the SBLA.

The difference, if any, between the amount recorded as share capital issued and the amount of share capital of the amalgamating company has been transferred to merger reserve and presented separately from other capital reserves.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

(ii) Internal reorganisation in 2023 (cont'd.)

Details of the assets and liabilities of the Entities as at 31 May 2023 are as follows:

	Internal reorganisation RM'000
Non-current assets	
Property, plant and equipment	284,999
Right of use assets	1,881,032
Intangible assets	482,294
Receivables and prepayments	170,623
Deferred tax assets	2,913
	2,821,861
Current assets	
Inventories	75,208
Receivables and prepayments	348,739
Amount due from related parties	89,881
Deposits, bank and cash balances	25,445
Tax recoverable	2,749
	542,022
Total assets (A)	3,363,883
Non-current liabilities	
Borrowings	151,410
Aircraft maintenance provision	68,490
Deferred tax liabilities	114,440
Lease liabilities	2,377,708
Provision for retirement benefits	75,551
	2,787,599

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

(ii) Internal reorganisation in 2023 (cont'd.)

Details of the assets and liabilities of the Entities as at 31 May 2023 are as follows: (cont'd.)

	Internal reorganisation RM'000
Current liabilities	
Trade and other payables	1,504,991
Aircraft maintenance provision	97,975
Sales in advance	645,541
Amounts due to related companies	2,809,398
Borrowings	8,835
Lease liabilities	1,237,504
Provision of taxation	48,237
	6,352,481
Total liabilities (B)	9,140,080
Net liabilities (C) = (A) - (B)	(5,776,197)

Consequently, a merger deficit of RM915,501,000 has been recorded as a result of the internal reorganisation.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

(iii) Additional investment during the financial year ended 31 December 2023

In 2023, AAAGL acquired 100% equity interest in AirAsia Aviation Management Services Sdn Bhd ("AMS") from AAB for a consideration amounting to RM300,000 satisfied via the capitalisation of RM300,000 due from AAB, in return for the 300,000 ordinary shares in AMS.

Additionally, AAAGL entered into a joint venture agreement with Sivilia Asia Co. Ltd. ("Sivilia") to form AirAsia Cambodia Co. Ltd. ("CAA"). The Company subscribed for a shareholding of 51%. CAA is set up for the purpose of providing low cost and short haul passenger air transportation and ancillary services on domestic routes in Cambodia and international routes. AAAGL invested USD1,020,000 (equivalent to RM4,651,200) for 1,020,000 ordinary shares of USD 1 per share in CAA.

(iv) Disposal of investment during the financial year ended 31 December 2023

During the financial year ended 31 December 2023, AAAGL disposed of its 100% equity stake in AirAsia Consulting Sdn Bhd ("ACS") to BigPay Holdings Sdn. Bhd., another subsidiary of CAB, for a total consideration amounting to USD0.50 (equivalent to RM2.28).

(v) Business combination in 2022

(a) The Company acquired 1,00,000 ordinary shares, representing 100% equity stake in AirAsia (Guangzhou) Aviation Services Limited Company ("AGZ") from CAB with a total consideration of RM4,405,911.

(b) The Company acquired 1 ordinary share, representing 100% equity stake in AirAsia Consulting Sdn Bhd ("ACS") from CAB with a total consideration of RM2.

(c) The Company acquired 100 ordinary shares, representing 100% equity stake in AirAsia Europe Limited (formerly known as Santan Restaurant Limited) from CAB with a total consideration of RM531.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

Details of the investment in subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2023 %	2022 %	Principal activities
Directly held by the Company				
AirAsia Consulting Sdn. Bhd. ("ACS")	Malaysia	-	100	Providing consulting services
AirAsia Europe Ltd (formerly known as Santan Restaurant Ltd)	United Kingdom	100	100	Food and beverages
AirAsia (Guangzhou) Aviation Service Limited ("AGZ")	China	100	100	Aviation and commercial services
PT AirAsia Indonesia TBK ("AAID")[+] ^	Indonesia	46.25	-	Investment holding
Asia Aviation Public Company Limited ("AAV")+*	Thailand	40.71	-	Investment holding
AirAsia Inc ("PAA")[f]	Philippines	40.0	-	Investment holding
AirAsia Cambodia ("CAA")	Cambodia	51.0	-	Commercial air transport services

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

Details of the investment in subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2023 %	2022 %	Principal activities
Held by AAID				
PT Indonesia AirAsia ("IAA")+	Indonesia	47.43	-	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia ("GTRI")f	Indonesia	31.8	-	Provision of airport related services
Held by AAV				
Thai AirAsia Co. Ltd ("TAA")f	Thailand	40.71	-	Commercial air transport services
Held by PAA				
Philippines AirAsia Inc ("PAAI")f	Philippines	39.86	-	Commercial air transport services
Asiawide Airways Incf	Philippines	40.0	-	Dormant

\+ Audited by a member of Ernst & Young Global.
f Audited by a firm other than Ernst & Young.
^ Listed on the Indonesia Stock Exchange.
* Listed on the Thailand Stock Exchange.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

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	Effective non-controlling interests 2023 %
AAID	Indonesia	53.75%
PAA	Philippines	60.00%
AAV	Thailand	59.29%

	Group 2023 RM'000
Accumulated balances of material non-controlling interests:	
AAID	(1,567,497)
PAA	(2,528,341)
AAV	47,065
Other individually immaterial subsidiaries	(1,769)
	(4,050,542)
Loss allocated to material non-controlling interests:	
AAID	(163,039)
PAA	(120,224)
AAV	16,147
Other individually immaterial subsidiaries	(1,769)
	(268,885)
Total comprehensive loss allocated to material non-controlling interests:	
AAID	(163,039)
PAA	(120,224)
AAV	16,147
Other individually immaterial subsidiaries	(1,769)
	(268,885)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

13. Subsidiaries (cont'd.)

Material partly-owned subsidiaries (cont'd.)

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

There were no subsidiaries for the financial year 31 December 2022 and 2021, hence only information pertaining to material partly-owned subsidiaries for the financial year 31 December 2023 is presented below:

Summarised income statements as at 31 December 2023 are as follows:

	AAID RM'000	PAA RM'000	AAV RM'000	Total RM'000
Revenue	1,276,926	1,767,199	5,427,625	8,471,751
Depreciation and amortisation	(146,661)	(184,015)	(492,350)	(823,026)
Interest income	114	15	4,325	4,455
Interest expense	(66,999)	(101,539)	(76,328)	(244,866)
(Loss)/profit before taxation	(303,592)	(200,373)	46,284	(457,681)
Tax credit/(expense)	263	-	(19,050)	(18,787)
Net (loss)/profit for the financial year	(303,329)	(200,373)	27,234	(476,468)
Attributable to non-controlling interests	(163,039)	(120,224)	16,147	(267,116)

Summarised statements of financial position as at 31 December 2023 are as follows:

	AAID RM'000	PAA RM'000	AAV RM'000	Total RM'000
Non-current assets	1,649,556	908,863	8,094,574	10,652,993
Current assets	(107,746)	173,966	1,831,039	1,897,259
Non-current liabilities	(2,247,200)	(3,799,229)	(6,223,938)	(12,270,367)
Current liabilities	(1,689,273)	(1,679,148)	(2,573,670)	(5,942,091)
Net (liabilities)/assets	(2,394,663)	(4,395,548)	1,128,005	(5,662,206)

Summarised cash flow information for the year ended 31 December 2023 are as follows:

	AAID RM'000	PAA RM'000	AAV RM'000	Total RM'000
Operating	118,735	304,225	818,630	332,381
Investing	(6,064)	(12,807)	(121,543)	192,398
Financing	(104,643)	(292,846)	(632,539)	(296,117)
Net increase/(decrease) in cash and cash equivalents	8,028	(1,428)	64,548	228,662

14. Investment securities

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Unlisted equity securities			
At 31 December	5,770	-	78,672

In 2020, the Economic Entity executed a Share Purchase Agreement ("SPA") with Tata Sons Private Limited to sell a 32.7% equity interest in AirAsia (India) Limited ("AA India"), for a consideration of RM158,257,515 (equivalent to USD37.6 million). The Economic Entity continues to hold the remaining 16.33% in AA India, but no longer exerted significant influence in AA India. Therefore, the remaining equity stake of 16.33% was remeasured to its fair value of RM81,904,575 (equivalent to USD18.83 million) in accordance with MFRS 9 Financial Instruments as an investment securities at fair value through other comprehensive income.

In 2022, the Group sold the remaining 16.33% equity interest in AA India to Air India Limited, an affiliate of Tata Sons Private Limited for a consideration of RM81,904,575 (equivalent to USD18.83 million). No gain or loss arose on the disposal as the Group has already marked the remaining 16.33% in AA India to its fair value.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

15. Receivables and prepayments

	Notes	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Non-current				
Other receivables	(a)	611,065	-	-
Current				
Trade receivables		222,021	-	-
Less: Allowance for impairment	(b)	(122,042)	-	-
		99,979	-	-
Other receivables		142,284	2,176	-
Less: Allowance for impairment	(c)	(3,870)	(822)	-
		138,414	1,354	-
Amount due from holding company		29,194	8,337	14
Amount due from associates		-	65,264	37,062
Amount due from related companies		94,387	25,128	3,121
Deposit	(d)	124,750	-	-
Prepayments	(e)	28,726	4	496,707
		277,057	98,733	536,904
Total current receivables and prepayments		515,450	100,087	536,904

(a) Other receivables of the Group at the reporting date are with a number of external parties for which there is no expectation of default. The other receivables include amount set aside for leased rental security amounting to RM251 million and maintenance reserve fund amounting to RM347 million.

(b) Ageing analysis of trade receivables

The ageing analysis of the Company's trade receivables is as follows:

	Group 2023 RM'000
Current	70,090
1 to 60 days	13,868
61 to 90 days	4,392
91 to 120 days	4,692
Over 120 days	128,979
	151,931
Impaired	(122,042)
	99,979

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

15. Receivables and prepayments (cont'd.)

(b) Ageing analysis of trade receivables (cont'd.)

Impairment for trade receivables are recognised based on the simplified approach. Impairment is recognised against trade receivables over their credit period based on estimated amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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.

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

	Group 2023 RM'000
At 1 January	-
Internal reorganisation	115,608
Impairment loss (Note 6)	6,434
At 31 December	122,042

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

	Group	
	2023 RM'000	**2022 RM'000**
At 1 January	3,669	-
Impairment loss (Note 6)	201	822
At 31 December	3,870	822

(d) Deposits of the Group at the reporting date are with a number of external parties for which there is no expectation of default. The deposits are mainly relate to operational security deposits which are short term in nature.

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

In 2021, prepayments of RM496,707,275 were made towards the acquisition of shares in an associate, as detailed in Note 9(a)(i).

The increase in the other receivables and amounts due from related companies in 2023 is due to the business combinations of the entities mentioned in Note 13.

The amounts due from holding, related, associated companies and related parties are unsecured, interest free and receivable on demand.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

16. Inventories

	Group 2023 RM'000
At cost	
Consumables, in-flight merchandise and others	137,473

During the financial year 2023, the amount of the inventories recognised in operating expenses of the Group was RM144 million.

17. Cash and bank balances

	Group		Economic Entity
	2023 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	205,340	10,715	166

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

18. 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.

	Group 2023 RM'000
As at 1 January	-
Acquisition of subsidiaries (Note 13(i))	258,100
Internal reorganisation (Note 13(ii))	(111,527)
Recognised in profit or loss	1,861
Exchange differences	9,445
As at 31 December	157,879

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

Presented after appropriate offsetting as follows:

	Group 2023 RM'000
Deferred tax assets	268,225
Deferred tax liabilities	(110,346)
	157,879

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

18. 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:

	Unutilised tax losses RM'000	Provision for retirement benefits RM'000	Others RM'000	Total RM'000
At 1 January 2023	-	-	-	-
Acquisition of subsidiaries	467,873	24,426	160,101	652,400
Internal reorganisation	-	-	2,913	2,913
Recognised in profit or loss	1,434	(10,791)	9,595	238
Exchange difference	19,117	474	(100,197)	(80,606)
At 31 December 2023	488,424	14,109	72,412	574,945

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Fair value on intangible assets RM'000	Total RM'000
At 1 January 2023	-	-	-
Acquisition of subsidiaries	(8,559)	(385,741)	(394,300)
Internal reorganisation	-	(114,440)	(114,440)
Recognised in profit or loss	2,318	(695)	1,623
Exchange difference	(323)	90,374	90,051
At 31 December 2023	(6,564)	(410,502)	(417,066)

Deferred tax has not been recognised for the following items:

	Group 2023 RM'000
Unused tax losses	2,840,344
Other temporary differences	945,060
	3,785,404

The recognised deferred tax assets are 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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

18. Deferred tax assets/(liabilities) (cont'd.)

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.

Pursuant to the relevant tax regulations, the unused tax losses and other temporary differences at the end of the reporting period will expire as follows:

	Group 2023 RM'000
Unutilised business losses can be carried forward until:	
Year of assessment 2026	1,448,253
Year of assessment 2028	1,388,660
Year of assessment 2033	3,431
	2,840,344

19. Trade and other payables and sales in advance

(a) Trade and other payables

	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Non-current:			
Other payables	21,372	-	-
Current:			
Trade payables	1,129,656	299	-
Other payables	699,410	9,032	19
Amounts due to holding company	385,852	648,186	618,013
Amounts due to associates	-	160	-
Amount due to related companies	3,046,036	779	7,920
Amounts due to related parties	220,602	-	-
Deposit	19,334	-	-
	5,500,890	658,456	625,952

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

19. Trade and other payables and sales in advance (cont'd.)

(a) Trade and other payables (cont'd.)

Trade payables are unsecured, non-interest bearing and are generally on 30 to 60 days term.

The amounts due to holding and related companies, associates and related parties are unsecured, interest free and payable on demand.

(b) Sales in advance

	Group 2023 RM'000
Current	1,205,688

Sales in advance represents the deferred revenue account triggered upon booking by customers. Amount includes ticket fare, seat fees, baggage fees, inflight meals, merchandise, admin fees, service fees and airport fees. Revenue will only be recognised upon flown, specifically upon closing flight status.

20. Aircraft maintenance provisions and liabilities

	Group 2023 RM'000
Aircraft maintenance provisions (i)	367,253
Aircraft maintenance reserve fund (ii)	265,337
	632,590
Disclosed as	
Non-current	230,154
Current	402,436
	632,590

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

20. Aircraft maintenance provisions and liabilities (cont'd.)

(i) Aircraft maintenance provisions relate to aircraft held under operating lease arrangements whereby, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

The movements in the aircraft maintenance provisions of the Group during the financial year are as follows:

	Group 2023 RM'000
At 1 January	-
Acquisition of subsidiaries (Note 13(i))	340,400
Internal reorganisation (Note 13(ii))	166,465
Charge for the year (Note 6)	125,725
At 31 December	632,590

(ii) Aircraft maintenance reserve funds relate to the maintenance activities to be undertaken by the Group during the lease period. The Group will accrue the maintenance expenses until the actual expenses incurred.

21. 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 whilst land and building generally have a lease term of 2 to 20 years (2022: 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.

21. Leases (cont'd.)

Group as a lessee (cont'd.)

Set out below are the carrying amounts of ROU recognised and the movements during the year:

Group	Aircraft 2023 RM'000	Plant and buildings 2023 RM'000	Total 2023 RM'000
As at 1 January 2023	-	824	824
Acquisition of subsidiaries (Note 13(i))	3,236,035	19,165	3,255,200
Internal reorganisation (Note 13(ii))	1,881,032	-	1,881,032
Additions	798,664	-	798,664
Modifications	39,995	-	39,995
Depreciation expense (Note 6)	(506,281)	(6,112)	(512,393)
Exchange movements	(67,181)	1,864	(65,317)
As at 31 December 2023	5,382,264	15,741	5,398,005
As at 1 January 2022	-	-	-
Acquisition of subsidiaries	-	919	919
Depreciation expense (Note 6)	-	(77)	(77)
Exchange differences	-	(18)	(18)
As at 31 December 2022	-	824	824

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

21. 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:

	Group	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	828	-
Acquisition of subsidiaries	4,301,600	-
Internal reorganisation (Note 13(ii))	3,615,212	-
Additions	705,487	911
Accretion of interest (Note 7(b))	234,830	-
Payments	(957,182)	(83)
Modifications	243,116	-
Exchange movements	175,296	-
At 31 December	8,319,187	828
Current	2,135,895	264
Non-current	6,183,292	564
	8,319,187	828

The maturity analysis of lease liabilities are disclosed in Note 34(c) .

The following are the amounts recognised in profit or loss:

	Group	
	2023	**2022**
	RM'000	**RM'000**
Depreciation of right-of-use assets	512,393	77
Interest expense on lease liabilities	234,830	-
Total amount recognised in profit or loss	747,223	77

The Group had total cash outflows for leases of RM1,214 million (2022: RM0.083 million).

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

22. Borrowings

	Group	
	2023	**2022**
	RM'000	**RM'000**
Current		
Term loans	430,101	18,695
Non-current		
Term loans	490,007	151,853
Total borrowings	920,108	170,548

In 2022, the Group obtained a term loan facility amounting to THB1,354,000,000 (equivalent to RM172,615,836). The term loan is secured by shares in AAV as disclosed in Note 9. The Group's borrowings increased in 2023 mainly due to the consolidation of the entities mentioned in Note 13.

As at 31 December 2023, the long-term borrowings are secured by the mortgages of the Group's land and buildings construed thereon, equipment, vehicle and pledges of the Group's aircraft and engines.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Group	
	2023	**2022**
	RM'000	**RM'000**
Balance at 1 January	170,548	-
Internal reorganisation (Note 13(ii))	160,245	-
Drawdown during the year	100,291	162,357
Acquisition of subsidiaries (Note 13(i))	634,100	-
Interest expense (Note 7(b))	40,968	10,259
Repayment of loan	(183,499)	-
Transaction cost	(744)	(2,328)
Exchange differences	(1,801)	260
Balance at 31 December	920,108	170,548

	Group	
	2023	**2022**
	%	**%**
Weighted average interest rate		
Term loans	5.36	9.16

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

22. Borrowings (cont'd.)

The borrowings are repayable as follows:

	Group 2023 RM'000	2022 RM'000
Not later than 1 year	430,101	18,695
Later than 1 year and not later than 2 years	490,007	25,174
Later than 2 year and not later than 3 years	-	126,679
	920,108	170,548

Total borrowings as at reporting date consist of the following:

	Group 2023 RM'000	2022 RM'000
Fixed rate borrowings	302,287	-
Floating rate borrowings	617,821	170,548

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

23. Long term debentures

As at 31 December 2023, the outstanding balance of long-term debentures are summarised below.

No	Series	Maturity date	No of units (million units)	Par value Baht	Par value MYR	Interest rate %	Term of interest payment	Book value Baht	Book value MYR
1/2022	1	Entirely redeemed on 30 June 2024 (2 years)	1.4	1,000	134	6.80	Quarter	1,431,500	191,955
1/2023	1	Entirely redeemed on 27 April 2025 (2 years)	1.5	1,000	134	7.00	Quarter	1,500,000	201,140
2/2023	1	Entirely redeemed on 28 March 2026 (2.5 years)	1.2	1,000	134	6.90	Quarter	1,200,000	160,912
				Total				4,131,500	554,007
				Less: Deferred debenture issuing costs				(31,098)	(4,170)
				Debenture - net				4,100,402	549,837

23. Debentures (cont'd.)

As at 31 December 2023, the outstanding balance of long-term debentures are summarised below. (cont'd.)

	2023 RM'000
Current portion of long-term debentures	191,411
Less: deferred front-end fee	(611)
Total current portion of long-term debentures - net	190,800
Long-term debentures - net of current portion	362,596
Less: deferred front-end fee	(3,559)
Total non-current portion of long-term debentures - net	359,037
Total long-term debentures	549,837

Long-term debentures are unsubordinated and secured by the Group in THB currency with fixed interest rates. Their fair value as at 31 December 2023 amounted to RM555 million.

The movements of debentures account of the Group during the financial year are summarised below.

	2023 RM'000
At 1 January 2023	-
Acquisition of subsidiaries (Note 13(i))	621,300
Issuance during the period	160,465
Interest expense (Note 7(b))	21,065
Repayment of long-term debentures	(252,459)
Amortisation of front-end fee	(534)
At 31 December 2023	549,837

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

24. 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, Philippines and Thailand.

The amounts recognised in the statements of financial position as at 31 December are as follows:

	Group 2023 RM'000
Present value of defined benefit obligation	199,534

The movements in the present value of defined benefit obligation for the year ended 31 December are as follows:

	Group 2023 RM'000
Defined benefit obligation at 1 January	-
Acquisition of subsidiaries (Note 13(i))	103,300
Internal reorganisation	75,551
Recognised in income statement:	
- Current service cost	11,340
- Interest cost (Note 7)	3,795
Benefits paid	(4,066)
Past service cost	2
Remeasurement gain recognised in profit or loss:	
- Changes in financial assumptions	34
- Experience adjustments	(5,473)
Remeasurement gain recognised in other comprehensive income:	
- Changes in financial assumptions	7,537
- Experience adjustments	1,651
Exchange differences	5,863
Defined benefit obligation at 31 December	199,534

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

24. Provision for retirement benefits (cont'd.)

The principal actuarial assumptions used for the year ended 31 December are as follows:

	Group 2023
Discount rate	2.49% - 7.49%
Salary increase rate per annum	5%
Average employee service life	5 - 25 years

Sensitivity analysis

As at 31 December, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption RM'000	Decrease in assumption RM'000
<u>2023</u>			
Annual discount rate	+/- 1%	(63,194)	74,082
Future annual salary increase rate	+/- 1%	72,217	(61,659)

25. Share capital

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Issued and fully paid up:			
As at 1 January/31 December	21,652	21,652	21,652

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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

26. Perpetual debt securities

	Group 2023 RM'000
As at 1 January	-
Internal reorganisation	1,097,509
As at 31 December	1,097,509

AAID issued a perpetual debt securities ("PERS") which was fully subscribed by AAB, a subsidiary of CAB. The PERPS bear interest ("Distribution") on its outstanding principal amount and AAID may pay such Distribution semi-annually at 2% per annum for the 12 months effective from the date of signing of the Perpetual Capital Security Purchase Agreement ("Agreement"), and ranging between 8% -12% per annum thereafter ("Distribution rate") until the seventh anniversary of the issuance of the perpetual securities ("First call date").

At each subsequent period after the First call date, the prevailing interest rate is the distribution rate plus step-up margin of 5%. AAID may, at its sole and absolute discretion, elect to defer, in whole or in part, payment of any distribution, unless a compulsory Distribution payment event has occurred.

However, the occurrence of such compulsory Distribution payment event is at the sole discretion of AAID. Following a deferral, arrears of Distributions are cumulative. The PERPS are unsecured and have no fixed redemption date, therefore AAID is not obliged to redeem the principal amount but would have the right, at its own and sole discretion, to redeem in whole or in part, on the First call date or any following Distribution payment date.

27. Reserves

27.1 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.

The share option reserves relates to ESOS granted by the holding company to certain eligible employees of the Company and its subsidiaries. Refer to Note 28 for further details of this plan.

Share option movements are as follow:

	Group	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	25	-
Share-based payment expenses	3,786	18
Internal reorganisation	8,233	-
Deemed investment in subsidiaries	(33,615)	7
At 31 December	(21,571)	25

27.2 Surplus reserves

The surplus reserves arises from a subsidiary's post-tax profits for the financial year, where 10% of the distribution is placed as a surplus reserve. The surplus reserve is maintained to cover the future losses of the subsidiary and may not be used for distribution to the Company unless the subsidiary is liquidated. The subsidiary may discontinue the contribution when the aggregate sum of the surplus reserve is more than 50% of its registered capital of the subsidiary.

27.3 Translation reserve

This reserve represents the foreign currency translation differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

28. Share based payments

Long Term Incentive Scheme ("LTIS")

On 2 August 2021, the Parent company, Capital A Berhad (formerly known as AirAsia Group Berhad) 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 holding company at any point in time throughout the duration of the LTIS, is for the employees and directors of the Company 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 holding 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 holding 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 holding company so as to predict the share performance.

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 Company does not have a past practice of cash settlement for these awards.

There were no cancellations or modifications to the award in 2023.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

28. Share based payments (cont'd.)

ESOS (cont'd.)

Movements during the year

The following table illustrates the number of, and movements in, ESOS of the Group:

	Group	
	2023	**2022**
	'000	**'000**
Outstanding at 1 January	200	-
Granted during the year	16,400	200
Outstanding at 31 December	16,600	200

The fair value of options granted during the year was RM0.282.

The exercise price for ESOS outstanding at the end of the year was RM0.7425.

The following table list the inputs to the model used for the ESOS:

	Share options granted on 3 Aug 2021
Fair value at the measurement date (RM)	0.282
Expected volatility (%)	53.874
Risk-free interest rate per annum (%)	2.242
Expected life of ESOS (years)	6
Model used	Monte-Carlo blended with Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

29. 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 and associates 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.

	Group 2023 RM	Group 2022 RM	Economic Entity 2021 RM
(Repayment to)/advances from holding company			
- Capital A Berhad	(354)	(4,113)	338,027
Turnaround fees			
- AirAsia X	1,626	426	-
- Thai AirAsia X	392	949	-
- AirAsia Berhad	10,478	17,048	-
- AirAsia SEA Sdn Bhd	1,932	105	-
- AirAsia Com Guangzhou	394	-	-
Interest income on advances			
- AirAsia Inc.	-	6,690	6,315
Interest expense on advances			
- AirAsia Berhad	(39,254)	-	-
Advances to/(repayment from) related parties			
- PAA	-	(19,430)	-
- AAB	-	(3,014)	-

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

29. Significant related party transactions (cont'd.)

	Group 2023 RM	2022 RM	Economic Entity 2021 RM
Management fees			
- AirAsia Berhad	19,635	-	-
Brand license revenue			
- AirAsia Berhad	29,488	-	-
Brand license cost			
- Brand AA Sdn Bhd	(68,819)	-	-
Redemptions of loyalty points			
- Biglife	8,740	-	-
Loyalty points purchased			
- Biglife	(9,809)	-	-
Commission cost			
- AirAsia Com Travel Sdn Bhd	(124,853)	-	-
Shared services cost			
- AirAsia SEA Sdn Bhd	(7,346)	(92)	-
Marketing cost			
- AirAsia Com Travel Sdn Bhd	12,201	-	-
Revenues from freight and cargo			
- Teleport	25,455	-	-
Aircraft repair and maintenance expenses			
- AirAsia Berhad	(260,581)	-	-
- Asia Digital Engineering	(56,685)	-	-
Aircraft lease rentals			
- Asia Aviation Capital Limited	(316,201)	-	-

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

30. Amounts due from/(to) holding company

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

	Group 2022 RM	2022 RM	Economic Entity 2021 RM
Receivables	29,194	8,337	14
Payables	385,852	648,186	618,013

31. Amounts due from/(to) associates

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

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Receivables	-	65,264	37,062
Payables	-	160	-

32. Amounts due from/(to) related companies

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

	Group 2023 RM	2022 RM	Economic Entity 2021 RM
Receivables	94,387	25,128	3,121
Payables	3,046,036	779	7,920

33. Amounts due from/(to) related parties

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

	Group 2023 RM	2022 RM	Economic Entity 2021 RM
Payables	220,602	-	-

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

34. Financial instruments

31 December	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Financial assets at FVOCI			
Investment securities (Note 14)	5,770	-	78,672
Financial assets at amortised costs			
Other receivables (Note 15)	749,479	1,354	-
Trade receivables (Note 15)	99,979	-	-
Amounts due from associates (Note 31)	-	65,264	37,062
Amount due from holding company (Note 30)	29,194	8,337	14
Amounts due from related companies (Note 32)	94,387	25,128	3,121
Cash and bank balances (Note 17)	205,340	10,715	166
Total financial assets at amortised costs	328,921	109,444	40,363
Financial liabilities at FVTPL			
Derivative financial instruments	467	-	-
Financial liabilities at amortised costs			
Trade payables (Note 19)	1,129,656	299	-
Other payables (Note 19)	720,782	9,032	19
Amounts due to associates (Note 31)	-	160	-
Amounts due to related parties (Note 33)	220,602	-	-
Amounts due to holding company (Note 30)	385,852	648,186	618,013
Borrowings (Note 22)	920,108	170,548	-
Total financial liabilities at amortised costs	3,377,000	828,225	618,032

35. Financial risk management policies

The Group is exposed to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

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 market, credit, liquidity and cash flow risks.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. Financial risk management policies (cont'd.)

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 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.

Interest rate risk

The Group's exposure to market risk for changes in interest rate relates primarily to borrowings with banks and other financial institutions. The Group manages interest costs using a prudent mix of fixed and floating rate bank facilities.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts are as follows:

	Group		Economic Entity
	2023	2022	2021
	RM'000	RM'000	RM'000
Floating rate instruments			
Financial liabilities			
Borrowings (Note 22)	920,108	170,548	-

The weighted average effective interest rates of borrowings with licensed banks as at 31 December 2023 for the Group were 5.36% (2022: 9.16%; 2021: Nil).

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates for the borrowings at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Economic Entity
	2023	2022	2021
	RM'000	RM'000	RM'000
+ 100 basis points	9,201	1,705	-
- 100 basis points	(9,201)	(1,705)	-

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. 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.)

Foreign currency risk

The Group's exposure to foreign currency risk is mainly from borrowings denominated in THB. Based on carrying amount as at the end of the reporting year was: below:-

	Group	
	2023	**2022**
	RM'000	**RM'000**
Borrowings	920,108	170,548

The following table demonstrates the sensitivity of the Group's loss before taxation to a reasonably possible change in the THB exchange rates with all other variables held constant:

	Group	
	Loss before taxation	
	2023	**2022**
	RM'000	**RM'000**
THB/RM		
- strengthened by 5%	46,005	8,527
- weakened by 5%	(46,005)	(8,527)

(b) Credit risk

Credit risk is the risk of financial loss to the Group 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 amounts due from related parties, amounts due form associates, amounts due from subsidiaries, and cash and cash equivalents. The Group's bank balances are placed with licensed and established banks with good credit rating. The directors are of the view that the possibility of non-performance by the banks is remote after taking into account their financial strength.

The Group minimises its credit risk by dealing with creditworthy counterparties, setting credit limits on exposures, and continuously monitoring the counterparties' payment profile and credit exposures. Most of the Group's receivables are due from its related parties which the management believes that there is limited credit risk. As the Group does not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the statement of financial position.

The Group's concentration of credit risk arise primarily from receivables due from associates and related parties.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. 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

The Group'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.

The table below analyses the Group's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities 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 undiscounted cash flows.

At 31 December 2023	**Less than 1 year RM'000**	**1-2 years RM'000**	**2-3 years RM'000**
Undiscounted cashflows			
Borrowings	474,383	534,854	-
Lease liabilities	2,600,032	4,835,769	2,695,348
Trade and other payables (Note 19)	1,829,066	21,372	-
Amounts due to associates (Note 30)	-	160	-
Amounts due to holding company (Note 30)	385,852	-	-
Amounts due to related parties			-
(Note 33)	220,602	-	-
Amounts due to related companies (Note 32)	3,046,036	-	-
	8,555,971	5,392,155	2,695,348

At 31 December 2022	**Less than 1 year RM'000**	**1-2 years RM'000**	**2-3 years RM'000**
Undiscounted cashflows			
Borrowings (Note 22)	18,695	151,853	-
Lease liabilities	264	305	259
Trade and other payables (Note 19)	9,331	-	-
Amounts due to holding company (Note 30)	648,186	-	-
Amounts due to associates (Note 31)	160	-	-
Amounts due to related parties (Note 33)	779	-	-
	677,415	152,158	259

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. 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.)

	Less than 1 year RM'000
At 31 December 2021	
Other payables and accruals (Note 19)	19
Amounts due to holding company (Note 30)	618,013
Amounts due to related companies (Note 32)	7,920
	625,952

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group 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.

There was no change in the Group's approach to capital management during the financial year.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. 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.)

Consistent with others in the industry, the Group 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 balance sheet) less cash and bank balances.

The net gearing ratio as at 31 December 2023, 31 December 2022 and 31 December 2021 are as follows:

	Group		Economic Entity
	2023	2022	2021
	RM'000	RM'000	RM'000
Total borrowings (Note 22)	920,108	170,548	-
Less: Cash and bank balances (Note 17)	205,340	10,715	166
Lease liabilities (Note 21)	8,319,187	828	-
Net debts	9,444,635	182,091	166
Total equity	(5,187,037)	(350,631)	(10,210)
Net Gearing Ratio (times)	(1.82)	(0.52)	(0.02)

The Group is in compliance with all externally imposed requirements for the financial years ended 31 December 2022 and 31 December 2023.

(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.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. Financial risk management policies (cont'd.)

(e) Fair value measurement (cont'd.)

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).

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 then determines 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 over the counter ("OTC") derivatives. Specific valuation techniques used to value financial instruments includes:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;

- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. Financial risk management policies (cont'd.)

(e) Fair value measurement (cont'd.)

Determination of fair value and fair value hierarchy (cont'd.)

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.

36. Reconciliation of liabilities arising from financing activities

	Borrowings		**Lease liabilities**	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
At 1 January	170,548	-	828	-
Cashflows				
Drawdown	100,291	162,357	-	-
Repayments	(183,499)	-	(957,182)	(83)
Non cashflows				
Acquisition of subsidiary	634,100	-	4,301,600	-
Internal reorganisation	160,245	-	3,615,212	-
Transaction cost	(744)	(2,328)	-	-
Interest expense (Note 7(b))	40,968	10,259	234,830	-
Additions	-	-	705,487	911
Modification	-	-	243,116	-
Foreign exchange movement	(1,801)	260	175,296	-
At 31 December	920,108	170,548	8,319,187	828

37. Other matters

(i) Litigation involving AirAsia (India) Limited and Commissioner of Central Tax, Bangalore North

Following the announcements made on 29 December 2020 and 5 January 2021 on the disposal of 32.67% equity interest in AA India with AAAGL receiving RM158,257,515 in gross proceeds, the Economic Entity announced the signing of the share purchase agreement to sell the remaining 16.33% equity interest held in AA India by AAAGL to Air India Limited, an affiliate of Tata Sons Private Limited, India. All customary consents and regulatory approvals have been secured. AAAGL received INR1,556,487,800 (Equivalent to RM78,671,738) in gross proceeds.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

37. Other matters (cont'd.)

(i) Litigation involving AirAsia (India) Limited and Commissioner of Central Tax, Bangalore North (cont'd.)

During the course of the operations of the joint venture, AA India received certain notices from the tax authorities in India. The Economic Entity and its affiliates will continue to cooperate with AAI in contesting these notices. A potential tax liability may arise due to the indemnity provisions agreed in the Sales and Purchase Agreement for the disposal of the investment. However, based on the assessment by the tax and legal experts engaged, AAI has a defensible position against the tax demand.

(ii) Litigation involving 24 former pilots and Thai AirAsia Co., Ltd ("TAA") at Thailand Central Labour Court

On 7 April 2022, 24 cases were filled for the disputes arises from the unpaid wages during voluntary furlough scheme, compensation for unfair dismissal and loss of employment opportunity. Subsequently one case was withdrawn on 9 August 2022, bringing the total number of active cases to 23, which amounts to THB 1,303,065,500.

The court dismissed these 23 cases on 19 October 2023, however 6 out of 23 pilots appealed and court has set the appeal hearing to be on 26 August 2024. The current claim amount from the appeal cases is THB 39,930,000.

38. Significant events

(i) Restructuring of AAV

On 21 October 2021, TAA via its listed holding company, AAV had announced a restructuring and recapitalisation plan ("AAV Restructuring"). The AAV Restructuring involved, amongst others, the Economic Entity disposing its 45 % equity interest in TAA to AAV, resulting in TAA becoming a wholly owned subsidiary of AAV. In return, the Group acquired a 45.12% equity interest in AAV.

(ii) Sale of equity shares of AirAsia India Ltd.

On 2 November 2022, the Company announced the signing of the share purchase agreement to sell the remaining 16.33% equity shares held in AAIndia by AAAGL to Air India Limited, an affiliate of Tata Sons Private Limited, India. There was no gain or loss arising from the disposal.

(iii) Cybersecurity attack

On 12 November 2022, a cybersecurity breach incident was discovered on some of the holding company's redundant and non-critical servers. The Group relies on the information system of its holding company to process data from its operations. Although the systems affected were not critical, the Group, via CAB, has taken the necessary measures to resolve and prevent this incident from reoccurring. There were no operational impact arising from this incident.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

38. Significant events (cont'd.)

(iii) Cybersecurity attack (cont'd.)

Further, CAB has duly notified and cooperated with the relevant supervisory authorities upon being aware of the cyber breach. CAB has taken the relevant steps to mitigate the impact of the breach including implementing additional measures to prevent similar incidence in the future. To the best of CAB's knowledge and as at the date of this report, CAB has not been made aware of any pending litigation or claims against CAB relating to the incident.

(iv) Deemed acquisition of Asia Aviation Public Company Limited, PT AirAsia Indonesia Tbk, and AirAsia Inc

On 31 May 2023, the Company entered into a Master Brand Licensing Agreement ("MBLA") with AAB and also a Brand Sub Licensing Agreement ("SBLA") with Thai AirAsia Co., Ltd ("TAA") and Asia Aviation Public Company Limited, the parent company of TAA. On 15 June 2023, the Company also entered SBLA with PT Indonesia AirAsia ("IAA") and PT Indonesia AirAsia TBK ("AAID"), the parent company of IAA, Philippines AirAsia Inc. ("PAA") and AirAsia Inc ("AAP"), the parent company of PAA. Effective from the signing date of the SBLA, these entities have to comply with the branding and operation requirements and recommendations made by the Company under the SBLA. With this, the Company is able to direct the relevant activities of these entities and is exposed to variable returns from its involvement with these entities. Pursuant to this, in accordance with MFRS 10, AAV, AAID and AAP, as a parent company of TAA, IAA and PAA respectively, are therefore, deemed as a subsidiary of the Company for accounting consolidation purposes.

39. Subsequent events

(i) On 27 March 2024, proposed assignment of debts totalling RM1,730,000,000 between AAB, AAAGL, AAI, IAA and CAB. Arising from the assignment of debts, the proposed assignment will entail the following:

(a) Assignment of debts due to AAB by AAI and IAA of RM1,730,000,000 to AAAGL;
(b) Assignment of the debts due from AAAGL arising from (a) of RM1,730,000,000 to CAB;
(c) Waiver by CAB of the amount due from AAAGL of RM2,378,000,000 (inclusive of an existing amount due to CAB of RM648,000,000). Resulting from this, AAAGL will recognise the waiver by CAB as capital contribution.

(ii) On 25 April 2024, CAB entered into a conditional share sale and purchase agreement with AirAsia X Berhad ("AAX") for its 100% equity interest in AirAsia Aviation Group Limited ("the Company") for a consideration of RM3,000,000,000.

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

39. Subsequent events (cont'd.)

(iii) On 27 March 2024, AAAGL acquired 100% equity interest in AA Com Travel Philippines Inc for a cash consideration of RM872,000 (equivalent to approximately Peso 10.5 million) from CAB. AA Com Travel Philippines holds 60% equity interest in AirAsia Inc., which in turn holds 99.66% equity interest in PAA.

40. Financial support

CAB has indicated its intention to provide financial support to the Group to meet its liabilities and obligation as and when they fall due and to carry on its business without significant curtailment of operations.

AIRASIA BERHAD

199301029930 (284669-W)
(Incorporated in Malaysia)

Accountants' Report for the years ended 31 December 2023, 31 December 2022 and 31 December 2021

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Contents	**Pages**

199301029930 (284669-W)

AirAsia Berhad
(Incorporated in Malaysia)

Statement by directors

We, Datuk Kamarudin bin Meranun and Riad Asmat, being two of the Directors of AirAsia Berhad, do hereby state that, in the opinion of the Directors, the accompanying consolidated financial statements set out on pages 6to104are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023 and of their financial performance and cash flows for the years then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 July 2024.

Datuk Kamarudin bin Meranun

Riad Asmat

EY
Building a better working world

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

The Board of Directors
AirAsia Berhad
RedQ,
Jalan Pekeliling 5,
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA,
Selangor Darul Ehsan,
Malaysia.

Reporting Accountants' Opinion on the Consolidated Financial Statements of AirAsia Berhad for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 contained in the Accountants' Report of AirAsia Berhad.

Opinion

We have audited the accompanying consolidated financial statements of AirAsia Berhad ("AAB" or the "Company") and its subsidiaries (the "Group") which comprise the consolidated statements of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021 of the Group, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2021, 31 December 2022 and 31 December 2023, and notes to the consolidated financial statements, including a summary of material accounting policy information ('together, the Consolidated Financial Statements"), as set out on pages 6 to 104. The Consolidated Financial Statements have been prepared for the purpose of complying with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia in connection with the proposed sale of the Group to AirAsia X Berhad ("AAX"), (the "Proposal").

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 31 December 2022 and 31 December 2021 and its consolidated financial performance and cash flows for each of the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Building a better working world

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

The Board of Directors
AirAsia Berhad

***Independence* and other ethical responsibilities**

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practise) of the Malaysian Institute of Accountants (By-Laws")) and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code").

Responsibility of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements of the Group for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Consolidated Financial Statements that is free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements of the Group, the Directors are responsible for assessing the Group'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 intend to liquidate the Company and its subsidiaries or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 of 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

EY
Building a better working world

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

The Board of Directors
AirAsia Berhad

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (contd.)

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements of the Group, 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in the Consolidated Financial Statements of the Group 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 opinion. However, future events or conditions may cause the Company or its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements of the Group, including the disclosures, and whether the Consolidated Financial Statements 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 or business activities within the Group to express an opinion on the Consolidated 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.

Building a better working world

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

The Board of Directors
AirAsia Berhad

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (contd.)

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.

Restriction on Distribution and Use

This opinion is issued for the sole purpose of complying with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia in connection with the proposed sale of the Group to AAX in connection with the Proposal and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

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

Low Khung Leong
No. 02697/01/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
31 July 2024

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of profit and loss
For the financial year ended 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Revenue	4(a)	6,420,374	3,784,775	691,358
Other income	4(b)	5,098,083	554,901	405,079
Operating expenses				
- Staff costs	5(a)	(631,778)	(374,959)	(298,514)
- Depreciation of property, plant and equipment	10	(43,902)	(59,461)	(89,348)
- Depreciation of right-of-use assets	22	(944,365)	(958,760)	(1,211,051)
- Aircraft fuel expenses	7(a)	(2,802,852)	(1,923,306)	(228,451)
- Maintenance and overhaul	7(b)	(394,205)	(642,090)	(465,523)
- User charges	7(c)	(1,188,520)	(661,409)	(159,409)
- Aircraft operating lease expenses	22	(126,110)	(116,602)	-
- Other operating (expenses) / income, net of reversals		(682,233)	68,809	(193,636)
Operating profit/(loss)		4,704,492	(328,102)	(1,549,495)
Finance income	8(a)	278,118	105,739	90,803
Finance costs	8(b)	(885,513)	(846,382)	(649,468)
Net operating profit/(loss)		4,097,097	(1,068,745)	(2,108,160)
Foreign exchange losses	8(c)	(455,576)	(735,306)	(352,519)
Net fair value gains on derivatives	8(d)	-	45,021	32,033
Share of results of associates	11	(14,583)	(19,965)	(44,130)
Profit/(loss) before taxation		3,626,938	(1,778,995)	(2,472,776)
Taxation	9	(6,070)	(3,336)	(990)
Net profit/(loss) for the financial year		3,620,868	(1,782,331)	(2,473,766)

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

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated Statements of comprehensive income
For the financial year ended 31 December 2021, 2022 and 2023

		Group		
	Note	**2023 RM'000**	**2022 RM'000**	**2021 RM'000**
Net profit/(loss) for the financial year		3,620,868	(1,782,331)	(2,473,766)
Other comprehensive income/(loss)				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges		-	-	28,815
Foreign currency translation differences		15,314	32,254	(76,904)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		15,314	32,254	(48,089)
Items that will not be subsequently reclassified to profit or loss				
Net movement on investment securities	12	74,195	(4,568)	(5,708)
Net other comprehensive profit/ (loss) that may not be reclassified to profit or loss in subsequent periods		74,195	(4,568)	(5,708)
Other comprehensive income/(loss) for the financial year, net of tax		89,509	27,686	(53,797)
Total comprehensive income/(loss) for the financial year		3,710,377	(1,754,645)	(2,527,563)

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

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of financial position
As at 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Non-current assets				
Property, plant and equipment	10	263,044	310,791	331,203
Right-of-use assets	22	6,768,547	7,794,545	8,189,596
Finance lease receivables	22	3,002,594	1,774,502	724,169
Investment in associates	11	435,771	434,517	454,482
Investment securities	12	106,847	32,652	37,220
Deferred tax assets	13	734,085	734,085	738,235
Receivables and prepayments	14	4,251,620	3,867,623	3,907,188
Deposits on aircraft purchase	15	617,412	576,034	610,489
		16,179,920	15,524,749	14,992,582
Current assets				
Inventories	17	18,757	8,484	9,739
Receivables and prepayments	14	7,742,449	2,155,340	1,795,126
Finance lease receivables	22	780,452	397,269	545,418
Deposit on aircraft purchase	15	46,345	-	-
Deposits, cash and bank balances	18	168,491	198,463	427,974
Tax recoverable		10,728	1,985	3,321
		8,767,222	2,761,541	2,781,578
Less: Current liabilities				
Trade and other payables	19(a)	2,870,184	1,618,040	1,766,504
Aircraft maintenance provisions and liabilities	20	876,155	976,253	1,015,392
Sales in advance	19(b)	809,091	810,937	547,690
Borrowings	21	147,024	76,701	443,370
Lease liabilities	22	3,459,872	3,220,900	2,719,725
Tax payables		2,473	981	723
		8,164,799	6,703,812	6,493,404
Net current asset/(liabilities)		602,423	(3,942,271)	(3,711,826)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of financial position
As at 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Non-current liabilities				
Trade and other payables	19(a)	802,108	821,539	394,515
Aircraft maintenance provisions and liabilities	20	4,808,533	4,518,073	4,427,352
Borrowings	21	2,032,798	1,464,983	510,128
Lease liabilities	22	10,643,598	9,986,538	9,376,215
Derivative financial instruments	16	-	-	32,785
		18,287,037	16,791,133	14,740,995
		(1,504,694)	(5,208,655)	(3,460,239)
Capital and reserves				
Share capital	23	2,515,673	2,515,673	2,515,673
Capital contribution	23	2,408	8,824	2,595
Other reserves	25	9,506	(64,689)	(60,121)
Foreign exchange reserve		5,391	(9,923)	(42,177)
Accumulated losses		(4,037,672)	(7,658,540)	(5,876,209)
		(1,504,694)	(5,208,655)	(3,460,239)

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

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of changes in equity
For the financial year ended 31 December 2021, 2022 and 2023

	<------	------	Non-distributable	------	------>		
	Number of shares '000	**Share capital RM'000 (Note 23)**	**Capital Contribution RM'000 (Note 23)**	**Foreign exchange reserves RM'000**	**Other reserves RM'000 (Note 25)**	**Distributable Retained earnings/ Non-distributable accumulated loss RM'000**	**Total RM'000**
At 1 January 2021	3,341,974	2,515,673	-	34,727	(83,228)	(3,402,443)	(935,271)
Net loss for the financial year	-	-	-	-	-	(2,473,766)	(2,473,766)
Other comprehensive (loss)/income	-	-	-	(76,904)	23,107	-	(53,797)
Total comprehensive loss	-	-	-	(76,904)	23,107	(2,473,766)	(2,527,563)
Employee share option scheme	-	-	2,595	-	-	-	2,595
At 31 December 2021/ 1 January 2022	3,341,974	2,515,673	2,595	(42,177)	(60,121)	(5,876,209)	(3,460,239)
Net loss for the financial year	-	-	-	-	-	(1,782,331)	(1,782,331)
Other comprehensive income/(loss)	-	-	-	32,254	(4,568)	-	27,686
Total comprehensive loss	-	-	-	32,254	(4,568)	(1,782,331)	(1,754,645)
Employee share option scheme	-	-	6,229	-	-	-	6,229
At 31 December 2022	3,341,974	2,515,673	8,824	(9,923)	(64,689)	(7,658,540)	(5,208,655)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of changes in equity
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

	<------------------------ Non-distributable				------------------------>		
	Number of shares '000	Share capital RM'000 (Note 23)	Capital Contribution RM'000 (Note 23)	Foreign exchange reserves RM'000	Other reserves RM'000 (Note 25)	Distributable Retained earnings/ Non-distributable accumulated loss RM'000	Total RM'000
At 31 December 2022/ 1 January 2023	3,341,974	2,515,673	8,824	(9,923)	(64,689)	(7,658,540)	(5,208,655)
Net profit for the financial year	-	-	-	-	-	3,620,868	3,620,868
Other comprehensive income	-	-	-	15,314	74,195	-	89,509
Total comprehensive income	-	-	-	15,314	74,195	3,620,868	3,710,377
Employee share option scheme	-	-	(6,416)	-	-	-	(6,416)
At 31 December 2023	3,341,974	2,515,673	2,408	5,391	9,506	(4,037,672)	(1,504,694)

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

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit/ (loss) before taxation		3,626,938	(1,778,995)	(2,472,776)
Adjustments for:				
Property, plant and equipment				
- Depreciation	10	43,902	59,461	89,348
- Gain on disposals	4(b)	(248)	(133)	(35,731)
- Reversal of impairment	10	(421)	(6,956)	(17,186)
Right-of-use assets				
- Depreciation	22	944,365	958,760	1,211,051
- Reversal of impairment	22	-	(406,053)	-
- Loss on termination	22	378,605	-	-
Loss/(Gain) on lease modifications	22	(87,185)	316,987	(210,813)
Impairment / (reversal of impairment) on				
- investment in associate				
- trade and other receivables	6	(41,162)	67,853	2,833
- amounts due from associates	6			
- amounts due from related parties	6	116,379	-	13,264
- finance lease receivables	22	-	(48,734)	-
Gain on disposal of brand		(4,500,000)	-	-
Share-based payments	24	2,409	2,479	1,033
Share of results of associates		14,583	19,965	44,130
Provision on stock loss		-	-	5,066
Net fair value gains on derivatives	8(d)	-	(45,021)	(32,033)
Operating profit/(loss) carried forward		498,165	(860,387)	(1,401,814)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities (cont'd.)				
Operating profit/(loss) brought forward		498,165	(860,387)	(1,401,814)
Net unrealised foreign exchange loss	8(c)	284,830	655,941	345,066
Interest expense	8(b)	258,997	230,625	76,376
Interest expense - lease liabilities	8(b)	626,516	615,757	573,092
Interest income	8(a)	(53,061)	(51,890)	(45,573)
Interest income - finance lease receivables	8(a)	(225,057)	(53,849)	(45,230)
		1,390,390	536,197	(498,083)
Changes in working capital:				
Inventories		(10,273)	1,255	(21,252)
Receivables and prepayments		(2,200,608)	(11,874)	(133,120)
Payables and provisions		1,253,595	155,682	1,267,054
Sales in advance		(1,846)	263,247	(1,984)
Amounts due (to)/from associates, related parties and immediate holding company		(54,931)	(430,426)	(501,841)
Cash generated from operations		376,327	514,081	110,774
Interest paid		(178,109)	(172,585)	(69,444)
Interest received		2,174	1,528	664
Taxes paid		(6,010)	(2,166)	(4,375)
Net cash generated from operating activities		194,382	340,858	37,619
Cash flows from investing activities				
Property, plant and equipment				
- Additions		(85,121)	(32,521)	(30,937)
- Proceeds from disposals		93,599	3,997	255,177
Net cash from/(to) investing activities carried forward		8,478	(28,524)	224,240

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities (cont'd.)				
Net cash from/(to) investing activities brought forward		8,478	(28,524)	224,240
Proceeds from disposal of a derivative		-	12,140	-
Net changes:				
- Deposits pledged as securities and restricted cash		(18,463)	(2,988)	(1,601)
- Deposits with licensed banks with maturity period of more than 3 months		(8,717)	176	(9)
Proceeds from disposal of subsidiaries		-	1,616	-
Acquisition of investment securities	12	-	-	(122)
Receipt of finance lease receivables		917,335	118,178	350,579
Net cash generated from investing activities		898,633	100,598	573,087

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from financing activities				
Proceeds from borrowings		680,274	998,528	521,060
Repayment of borrowings		(42,136)	(415,730)	(464,819)
Payment of lease liabilities		(1,788,346)	(1,256,577)	(426,984)
Net cash used in financing activities		(1,150,208)	(673,779)	(370,743)
Net (decrease)/increase for the financial year		(57,193)	(232,323)	239,963
Currency translation differences		41	-	998
Cash and cash equivalents at beginning of the financial year		187,262	419,585	178,624
Cash and cash equivalents at end of the financial year		130,110	187,262	419,585

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

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Notes to the consolidated financial information
For the financial year ended 31 December 2021, 2022 and 2023

1. General information

AirAsia Berhad ("AAB" or "the Company") is a public limited liability company incorporated and domiciled in Malaysia.

This Accountants' Report comprises the consolidated financial information of AirAsia Berhad and its subsidiaries, collectively known as "the Group" which includes the consolidated statements of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021, and a material accounting policy information and other explanatory notes.

The principal activity of the Group is that of providing air transportation services and aircraft leasing services. The principal activities of the associates are described in Note 11. There were no significant changes in the nature of these activities during the financial year reported in the Accountants' Report.

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,
64000 KLIA,
Selangor Darul Ehsan,
Malaysia.

The holding company is Capital A Berhad ("CAB"), which is incorporated in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

2. Material accounting policy information

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.1 Basis of preparation (cont'd.)

The financial statements of the Group have been prepared under the historical cost convention, unless otherwise 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.

As at 31 December 2023, the shareholder's deficit is RM1.5 billion (2022: RM5.2 billion; 2021: RM3.5 billion) is a going concern indicator.

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 below:

1. Funding

The Group is currently engaged in discussion with lenders at different stages for debt and equity fundraising, with an estimated amount of RM3 billion. As at the date of this report, the Group has received commitment from investors for a Revenue Bond Program of up to RM1.68 billion (equivalent to USD365 million). The Revenue Bond program entails the conversion of the Group's outstanding lease payments of RM1.1 billion (approximately USD240 million) into a bond (Tranche 1) and cash inflow of approximately RM575 million (approximately USD125 million) (Tranche 2) to finance the Group's working capital, maintenance cost and lease rentals. The Revenue Bond will be secured against passenger seat sales from identified routes and shares in the Group. Tranche 1 of the Revenue Bond has a tenure of 2.5 years whereas Tranche 2 has a tenure of 4 years. The bonds are expected to be issued by end of August 2024.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.1 Basis of preparation (cont'd.)

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 below: (cont'd.)

2. Capacity and Network Management

For the first quarter of 2024, AAB is implementing all possible to measures to return the grounded fleet to service which is estimated to be completed by end of 2024.

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 as well as the debt raise under Revenue Bond Program. The Directors believe that the Group will continue to receive support from its lessors and complete the implementation of the Revenue Bond Program. Based on the cash flow forecast which incorporates the actions taken to date, 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.

By 31 December 2023, the Group had successfully restructured 161 aircraft leases and was in discussions with lessors to restructure the remaining leases, seeking to waive the lease rentals in arrears and to reduce future lease rates while extending lease terms where appropriate.

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)

2. Material accounting policy information (cont'd.)

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2021: (cont'd.)

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 Group has applied the following amendments for the first time for the financial year beginning on 1 January 2022:

Amendments to MFRS 116: Property, Plant and Equipment:
- Property, Plant and Equipment - Proceeds before intended use

Amendments to MFRS 137: Onerous Contracts
- Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 1: First-time Adoption of International Financial Reporting Standards
  - Subsidiary of a First-time Adopter
- Amendments to MFRS 9: Financial Instruments
  - Fees in the '10 Percent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 141: Agriculture
  - Taxation in Fair Value Measurements

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 137: Onerous Contracts
- Costs of Fulfilling a Contract

Amendment to MFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2022 (effective 1 April 2022)

The Group and the Company has applied the following amendments for the first time for the financial year beginning on 1 January 2023:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)
MFRS 108: Definition of Accounting Estimates (Amendment to MFRS 108)
MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17)
MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)
MFRS 112: International Tax Reform - Pillar Two Model Rules (Amendment to MFRS 112)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

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

The adoption of these new amendments, standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Company, except for:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 and MFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's and the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Company's financial statements.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
MFRS 101: Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2024
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback (Amendments to MFRS 16)	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants (Amendments to MFRS 101)	1 January 2024

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.3 Standards issued but not yet effective

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

	Effective for annual periods beginning on or after
MFRS 7 and MFRS 107: Supplier Finance Arrangements (Amendments to MFRS 7 and MFRS 107)	1 January 2024
MFRS 121: Lack of Exchangeability (Amendments to MFRS 121)	1 January 2025
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above amendments, 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

A subsidiary is an entity over which the Group has all the following:

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.1 Subsidiaries

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.1 Subsidiaries (cont'd.)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net asset of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate' in the consolidated statement of profit or loss.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.
The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Associates (cont'd.)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.
Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.5 Property, plant and equipment

Plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of 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.

Where significant parts of an item of plant and equipment are required to be replaced at intervals, the Group recognises such parts in the carrying amount of the 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 period in which they are incurred.

Freehold land is not depreciated. Significant parts of an item of plant and property 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

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

The useful lives for this purpose are as follows:

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 reporting 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.

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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

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

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

2.6 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.

2.7 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.7 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.

2.8 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

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.8 Leases (cont'd.)

Group as a lessee (cont'd.)

i) ROU assets (cont'd.)

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 2.6 impairment of non-financial assets.

ii) Lease liabilities

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

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

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

2. Material accounting policy information (cont'd.)

2.8 Leases (cont'd.)

Group as a lessee (cont'd.)

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.

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' 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.

2. Material accounting policy information (cont'd.)

2.8 Leases (cont'd.)

Group as a lessor (cont'd.)

ii) Operating leases

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

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

iii) Sublease classification

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

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

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

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.9 Inventories

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

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

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

2.10 Financial assets

2.10.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.1 Initial recognition and measurement (cont'd.)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.10.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.2 Subsequent measurement (cont'd.)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Amortised costs

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.10.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.3 Derecognition (cont'd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.10.4 Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.4 Impairment (cont'd.)

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However,in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Financial liabilities

2.11.1 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).

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.11 Financial liabilities (cont'd.)

2.11.1 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.12 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.

2.13 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.

2. Material accounting policy information (cont'd.)

2.13 Derivatives and hedge accounting (cont'd.)

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. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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

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

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

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

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

The 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.13 Derivatives and hedge accounting (cont'd.)

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 gains/(losses) on derivatives'.

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

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

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 gains or losses on derivatives'.

2.14 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.15 Provisions

Provisions are recognised when the Group has 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 expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

Contingent liabilities are not recognised in the statement of financial position but are disclosed in the notes to 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 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 financial statements.

2.16 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 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 and associates operate and generate taxable income.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.17 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.18 Employee benefits

2.18.1 Short term employee benefits

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

2.18.2 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.

2.18.3 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.19 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.

2.19.1 Schedule flights, charter flights and ancillary services

These revenues relate 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 ticket sales as 'sales in advance' which is presented as current liabilities in line with MFRS 15. Revenue is recognised when the air transportation service is provided (i.e. recognised at a point in time).

2.19.2 Aircraft operating leases

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

2.19.3 Interest income

Interest income is recognised using the effective interest method.

2.19.4 Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., upon completion of services rendered to customer).

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.20 Foreign currencies

2.20.1 Functional and presentation currency

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

2.20.2 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.20 Foreign currencies (cont'd.)

2.20.2 Transactions and balances (cont'd.)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.21 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.

2.22 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets/liabilities are classified as non-current assets/liabilities.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

3. Critical accounting estimates and judgements

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

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

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

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

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

There is a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

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

3.1 Impairment assessment of property, plant and equipment and right-of-use assets (cont'd.)

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 10 and 22.

3.2 Impairment assessment of financial assets

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

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

3.3 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.

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

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 interests in associates and joint ventures

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 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

4. Revenue and other income

(a) Revenue

	2023 RM'000	2022 RM'000	2021 RM'000
Passenger revenue			
- seat sales	4,309,335	2,859,127	497,482
- ancillary	2,026,987	866,225	180,515
Freight services	84,052	59,423	13,361
	6,420,374	3,784,775	691,358

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

Revenue by reportable geographical segment is as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Malaysia	6,420,374	3,784,775	678,215
Others	-	-	13,143
	6,420,374	3,784,775	691,358
Timing of revenue recognition			
At a point in time	6,420,374	3,784,775	691,358

Salient terms of revenue from contracts with customers:

- Schedule flights	Normally settled by cash and refunds for airport tax are claimable up to 6 months period of travel date.
- Charter flights	Full upfront payment before the flight.
- Freight services	Credit term of 30 days (2022: 30 days) from invoice date.
- Ancillary service	Normally settled by cash and generally no refunds.

Contract balances are disclosed in Note 19 and remaining unfulfilled performance obligations are disclosed as sales in advance.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

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

(b) Other income

	2023 RM'000	2022 RM'000	2021 RM'000
Gain on disposal of property, plant and equipment	248	133	35,731
Support service fees charged to related parties for provision of support services	1,234	1,797	50,800
Gain on disposal of brand (Note 14(g))	4,500,000	-	-
Airline operating lease income	179,361	304,819	247,934
Brand license fee	38,925	37,025	-
Gain on termination of lease	112,183	-	-
Others	266,132	211,127	70,614
	5,098,083	554,901	405,079

"Others" income includes commission income and advertising income.

Airline operating lease income

The operating lease income are from the following lessees:

	2023 RM'000	2022 RM'000	2021 RM'000
Related companies:			
PT Indonesia AirAsia ("IAA")	34,834	63,580	44,371
AirAsia Inc (including Philippines AirAsia Inc)	-	303	83
Thai AirAsia Co. Ltd ("TAA")	100,572	204,447	175,793
AirAsia India Limited ("AA India")	-	-	273
Teleport Everywhere Pte Ltd	43,955	8,467	886
Others:			
Third-parties	-	28,022	26,528
	179,361	304,819	247,934

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

5. Staff costs and directors' remuneration

(a) Staff costs

	2023 RM'000	2022 RM'000	2021 RM'000
Salaries, bonus, allowances and other employee benefits	575,371	338,180	272,090
Defined contribution retirement plan	56,407	36,779	26,424
	631,778	374,959	298,514

(b) Directors' remuneration

	2023 RM'000	2022 RM'000	2021 RM'000
Non-Executive Directors			
- fees	-	-	17

6. Other operating expenses net of reversals

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

	2023 RM'000	2022 RM'000	2021 RM'000
Impairment of:			
- trade and other receivables (Note 14)	120,545	67,853	16,097
Reversal of impairment of:			
- finance lease receivables (Note 22)	-	(48,734)	-
- property, plant and equipment (Note 10)	(421)	(6,956)	(17,186)
- right-of-use assets (Note 22)	-	(406,053)	-
- trade and other receivables (Note 14)	(45,328)	-	-
Fees charged by a related company for provision of support services	64,481	93,023	64,186
Auditors' remuneration			
- audit fees	1,400	1,099	1,048
Advertising costs	14,029	8,464	14,530

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

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

(a) Aircraft fuel expenses

Aircraft fuel expenses encompass both the direct fuel cost and any gains or losses incurred through fuel hedging. The Group ceased fuel hedging operations in 2022.

(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.

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

(a) Finance income

	2023 RM'000	2022 RM'000	2021 RM'000
Interest income from:			
- deposits, cash and bank balances with licensed banks	2,150	1,307	640
- amounts due from related companies and associates	40,112	38,401	40,181
- finance lease receivables	225,057	53,849	45,230
Impact of discounting effect on financial instruments	10,775	11,961	4,728
Others	24	221	24
	278,118	105,739	90,803

AAB's subsidiary, Asia Aviation Capital Ltd ("AACL") leases aircrafts, including components of aircrafts, which it sub-leases to its related companies. The related companies are IAA, PAA and TAA.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

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

(b) Finance costs

	2023 RM'000	2022 RM'000	2021 RM'000
Interest expense			
- bank borrowings	(178,109)	(152,916)	(69,444)
- lease liabilities	(626,516)	(615,757)	(573,092)
- advances from holding company*	(74,070)	(73,974)	-
Others	(6,818)	(3,735)	(6,932)
	(885,513)	(846,382)	(649,468)

* The Company obtained funding from its holding company through a RCUIDS program implemented by the holding company. Interest was charged at 9% per annum. Details of the RCUIDS is disclosed in Note 19.

(c) Foreign exchange losses

	2023 RM'000	2022 RM'000	2021 RM'000
Realised	(170,746)	(79,365)	(7,453)
Unrealised	(284,830)	(655,941)	(345,066)
	(455,576)	(735,306)	(352,519)

(d) Net fair value gains on derivatives

	2023 RM'000	2022 RM'000	2021 RM'000
Fair value gains from interest rate hedging contracts	-	-	32,033
Net gain on termination hedging contracts	-	45,021	-
	-	45,021	32,033

Fair value gains on 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. The Group had terminated all hedging contracts by the end of 2022.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

9. Taxation

	2023 RM'000	2022 RM'000	2021 RM'000
Current taxation			
- Malaysian tax	80	20	1,225
- foreign tax	5,990	3,316	2,464
Deferred taxation (Note 13)	-	-	(2,699)
	6,070	3,336	990
Current taxation			
- current financial year	6,050	3,316	2,877
- underprovision of income tax in respect of previous years	20	20	812
	6,070	3,336	3,689
Deferred taxation			
- origination and reversal of temporary differences	-	-	(2,726)
- under provision of deferred tax in respect of previous years	-	-	27
	-	-	(2,699)
	6,070	3,336	990

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

9. Taxation (cont'd.)

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

	2023 RM'000	2022 RM'000	2021 RM'000
Profit/(loss) before taxation	3,626,938	(1,778,995)	(2,472,776)
Tax calculated at Malaysian tax rate of 24%	870,466	(426,959)	(593,466)
Tax effects of:			
- foreign taxation	28,397	3,315	2,464
- expenses not deductible for tax purposes	265,696	174,079	94,727
- income not subject to tax	(1,213,651)	(1,442)	(9,399)
- underprovision of income tax in respect of previous years	20	20	812
- share of results of associates	(3,500)	(4,792)	(10,591)
- under provision of deferred tax in respect of previous years	-	-	27
- deferred tax assets not recognised	58,642	259,115	516,416
	6,070	3,336	990

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

10. Property, plant and equipment

	At 1 January 2023 RM'000	Additions RM'000	Disposals RM'000	Reclassi- fication RM'000	Depreciation charge RM'000	Reversal of impairment RM'000	Exchange differences RM'000	At 31 December 2023 RM'000
Group								
Carrying amount								
Aircraft engines, airframes and service potential	120,988	-	(93,339)	-	(15,732)	-	3,575	15,492
Aircraft spares	21,539	404	-	-	(5,938)	-	-	16,005
Aircraft fixtures and fittings	6,560	-	-	69	(6,629)	421	-	421
Buildings	138,986	-	-	321	(6,067)	-	-	133,240
Motor vehicles	2,667	647	-	-	(1,167)	-	-	2,147
Office equipment, furniture and fittings	11,590	79,512	(12)	-	(5,269)	-	-	85,821
Office renovation	3,357	440	-	-	(1,882)	-	-	1,915
Simulator equipment	547	-	-	-	(9)	-	-	538
Operating plant and ground equipment	4,206	4,118	-	-	(944)	-	-	7,380
In-flight equipment	317	-	-	(1)	(236)	-	-	80
Training equipment	34	-	-	-	(29)	-	-	5
	310,791	85,121	(93,351)	389	(43,902)	421	3,575	263,044

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Group (cont'd.)			
At 31 December 2023			
Aircraft engines, airframes and service potential	34,294	(17,730)	16,564
Aircraft spares	28,743	(12,738)	16,005
Aircraft fixtures and fittings	147,594	(147,173)	421
Buildings	176,791	(43,551)	133,240
Motor vehicles	13,664	(11,517)	2,147
Office equipment, furniture and fittings	242,536	(157,779)	84,757
Office renovation	42,219	(40,312)	1,907
Simulator equipment	238	300	538
Operating plant and ground equipment	13,393	(6,013)	7,380
In-flight equipment	3,381	(3,301)	80
Training equipment	4,344	(4,339)	5
	707,197	(444,153)	263,044

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	At 1 January 2022 RM'000	Additions RM'000	Disposals RM'000	Reclassi-fication RM'000	Depreciation charge RM'000	Reversal of Impairment RM'000	Exchange differences RM'000	At 31 December 2022 RM'000
Group (cont'd.)								
Carrying amount								
Aircraft engines, airframes and service potential	132,629	-	-	-	(21,930)	6,956	3,333	120,988
Aircraft spares	4,416	27,733	(3,467)	-	(7,143)	-	-	21,539
Aircraft fixtures and fitting	16,129	4	-	-	(9,573)	-	-	6,560
Buildings	144,939	130	-	-	(6,083)	-	-	138,986
Motor vehicles	3,119	397	-	-	(849)	-	-	2,667
Office equipment, furniture and fittings	19,656	1,489	(48)	103	(9,610)	-	-	11,590
Office renovation	5,345	516	-	-	(2,504)	-	-	3,357
Simulator equipment	556	-	-	-	(9)	-	-	547
Operating plant and ground equipment	3,801	2,215	(349)	-	(1,461)	-	-	4,206
In-flight equipment	612	-	-	-	(295)	-	-	317
Training equipment	1	37	-	-	(4)	-	-	34
	331,203	32,521	(3,864)	103	(59,461)	6,956	3,333	310,791

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2022				
Aircraft engines, airframes and service potential	260,993	(134,198)	(5,807)	120,988
Aircraft spares	28,682	(7,143)	-	21,539
Aircraft fixtures and fittings	147,561	(141,001)	-	6,560
Buildings	176,550	(37,564)	-	138,986
Motor vehicles	13,298	(10,631)	-	2,667
Office equipment, furniture and fittings	163,645	(152,055)	-	11,590
Office renovation	41,670	(38,313)	-	3,357
Simulator equipment	654	(107)	-	547
Operating plant and ground equipment	9,247	(5,041)	-	4,206
In-flight equipment	3,381	(3,064)	-	317
Training equipment	4,380	(4,346)	-	34
	850,061	(533,463)	(5,807)	310,791

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	At 1 January 2021 RM'000	Additions RM'000	Disposals RM'000	Reclassi-fication RM'000	Depreciation charge RM'000	Reversal of impairment RM'000	Exchange differences RM'000	At 31 December 2021 RM'000
Group (cont'd.)								
Carrying amount								
Aircraft engines, airframes and service potential	170,051	18,179	(39,416)	-	(21,332)	-	5,147	132,629
Aircraft spares	118,379	7,159	(117,370)	-	(20,938)	17,186	-	4,416
Aircraft fixtures and fittings	39,994	122	(8,689)	-	(15,298)	-	-	16,129
Buildings	197,090	2,257	(47,421)	618	(7,605)	-	-	144,939
Motor vehicles	3,636	725	-	-	(1,242)	-	-	3,119
Office equipment, furniture and fittings	39,221	550	(3,682)	233	(16,723)	-	57	19,656
Office renovation	11,780	183	(2,621)	-	(3,997)	-	-	5,345
Simulator equipment	595	-	-	-	(39)	-	-	556
Operating plant and ground equipment	4,112	1,762	(247)	-	(1,826)	-	-	3,801
In-flight equipment	960	-	-	-	(348)	-	-	612
Training equipment	1	-	-	-	-	-	-	1
	585,819	30,937	(219,446)	851	(89,348)	17,186	5,204	331,203

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2021				
Aircraft engines, airframes and service potential	254,436	(114,850)	(6,957)	132,629
Aircraft spares	4,416	-	-	4,416
Aircraft fixtures and fittings	147,527	(125,592)	(5,806)	16,129
Buildings	176,412	(31,473)	-	144,939
Motor vehicles	13,825	(10,706)	-	3,119
Office equipment, furniture and fittings	172,289	(152,633)	-	19,656
Office renovation	45,233	(39,888)	-	5,345
Simulator equipment	5,381	(4,825)	-	556
Operating plant and ground equipment	15,706	(11,905)	-	3,801
In-flight equipment	3,450	(2,838)	-	612
Training equipment	1	-	-	1
	838,676	(494,710)	(12,763)	331,203

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

11. Investment in associates

	2023 RM'000	2022 RM'000	2021 RM'000
Unquoted investments, at cost	64,640	48,803	48,803
Total share of post-acquisition loss	371,131	385,714	405,679
	435,771	434,517	454,482

In 2023, the Group capitalized part of its advances to GTR amounting to RM15,836,986 as consideration for a rights issue by GTR.

The details of the associates are as follows:

Name of entity	Group's effective equity interest 2023 %	2022 %	2021 %	Country of incorporation	Principal activities
Held by AAB					
AirAsia Philippines Inc[f]	39.9	39.9	39.9	Philippines	Dormant
Ground Team Red Holdings Sdn Bhd ("GTRH")[f]	50	50	50	Malaysia	Investment holding

[f] Audited by a firm other than Ernst & Young.

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

11. Investment in associates (cont'd.)

All associates have the same reporting period as the Group except for GTRH which has a reporting date of 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.

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

Material associates

The directors consider GTRH as material associates to the Group. GTRH has investments in GTR and GTRSG which provide ground handling services in Malaysia and Singapore respectively.

Summarised financial information for associates

The tables below provide summarised financial information for GTRH that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of GTRH and not the Group's share of those amounts. They include adjustments when applying the equity method.

Summarised statements of financial position

	GTRH		
	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Non-current assets	806,952	836,060	875,951
Current assets	4	3	3
Current liabilities	(1,326)	(1,267)	(1,228)
Net assets	805,630	834,796	874,726

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

11. Investment in associates (cont'd.)

Summarised statements of comprehensive income

		GTRH	
	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Net loss for the financial year, representing total comprehensive loss	(29,166)	(39,930)	(88,260)

Reconciliations of summarised financial information:

		GTRH	
	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Net assets	805,630	834,796	874,726
Group's interest in associates	50%	50%	50%
Interest in associates	402,815	417,398	437,363
Carrying value at 31 December	402,815	417,398	437,363

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

12. Investment securities

	2023 RM'000	2022 RM'000	2021 RM'000
Listed equity securities			
At 1 January	32,530	37,098	42,806
Fair value loss			
- recognised in other comprehensive income	74,195	(4,568)	(5,708)
At 31 December	106,725	32,530	37,098
Unlisted equity securities			
At 1 January	122	122	-
Addition during the year	-	-	122
At 31 December	122	122	122
Total	106,847	32,652	37,220

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 interest of 13% (2022 and 2021: 14%) in a listed equity security, AirAsia X Berhad ("AAX"). In addition, the Group also holds non-controlling equity interests of 14% in 1 unlisted equity securities (2022: 14% respectively in 1 unlisted equity securities and 2021: 2% and 14% respectively in 2 unlisted equity securities).

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

13. Deferred tax assets

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:

	2023 RM'000	2022 RM'000	2021 RM'000
At beginning of year	734,085	738,235	744,635
Recognised in profit or loss (Note 9)	-	-	2,699
Recognised in other comprehensive income	-	-	(9,099)
Disposal of subsidiaries	-	(4,150)	-
At end of year	734,085	734,085	738,235

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

	2023 RM'000	2022 RM'000	2021 RM'000
At beginning of financial year	734,085	738,235	744,635
Credited/(Charged) to income statement			
- property, plant and equipment	2,184	1,711	1,410
- unabsorbed capital allowances	262,481	186,586	(53,884)
- unabsorbed investment tax allowances	(178,020)	(409,181)	32,342
- sales in advance	(686)	63,502	(8,835)
- receivables	-	-	-
- payables	(116,751)	161,531	83,357
- derivatives	-	-	(15,556)
- provisions and others	30,792	(4,149)	(36,135)
	-	-	2,699
Charged to statement of other comprehensive income	-	-	(9,099)
Disposal of subsidiaries	-	(4,150)	-
At end of financial year	734,085	734,085	738,235

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

13. Deferred tax assets (cont'd.)

The movements in the deferred tax assets and liabilities of the Group during the financial year are as follows: (cont'd.)

	2023 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets (before offsetting)			
Unabsorbed capital allowances	449,068	186,586	-
Unabsorbed investment tax allowances	80,110	258,130	667,311
Sales in advance	194,182	194,868	131,366
Provisions and others	30,791	-	4,149
	754,151	639,584	802,826
Offsetting	(20,066)	94,501	(64,591)
Deferred tax assets (after offsetting)	734,085	734,085	738,235
Deferred tax liabilities (before offsetting)			
Property, plant and equipment	(20,066)	(22,250)	(23,961)
Payables	-	116,751	(40,630)
	(20,066)	94,501	(64,591)
Offsetting	20,066	(94,501)	64,591
Deferred tax liabilities (after offsetting)	-	-	-

Deferred tax has not been recognised for the following items:

	2023 RM'000	2022 RM'000	2021 RM'000
Provisions and others	512,668	1,392,420	111,101
Unabsorbed capital allowances	1,871,116	1,519,868	1,721,543
Unutilised tax losses	2,120,448	1,347,602	1,347,602
Unutilised investment tax allowances	4,729,037	4,729,037	4,729,037
	9,233,269	8,988,927	7,909,283

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

13. Deferred tax assets (cont'd.)

Pursuant to Section 44(5F) of the Income Tax Act 1967 ("the Act"), the unused tax losses can be carried forward until the following year of assessment:

	2023 RM'000	2022 RM'000	2021 RM'000
Unused tax losses can be carried forward until:			
Year of assessment 2030	857,743	857,743	857,743
Year of assessment 2031	453,174	453,174	489,859
Year of assessment 2032	729,037	36,685	-
Year of assessment 2033	80,494	-	-
	2,120,448	1,347,602	1,347,602

As disclosed in Note 3.3, 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.

Based on the tax rules enacted from Malaysia Finance Act 2021, the time limit for the carry forward of the unutilised tax losses has been extended from 7 years to 10 years. As a result of this change, the unutilised tax losses accumulated up to the YA 2018 are allowed to be carried forward for 10 consecutive years of assessment (i.e. from YA 2019 to 2028) and any balance of the unutilised tax losses thereafter shall be disregarded.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

14. Receivables and prepayments

		2023 RM'000	2022 RM'000	2021 RM'000
Non-current:				
Other receivables	(a)	334,736	340,687	340,687
Less: Allowance for impairment		(334,736)	(340,687)	(340,687)
		-	-	-
Amount due from a related company	(b)	704,275	675,185	608,137
Prepayments	(e)	3,302,130	2,828,591	3,198,836
Deposits	(f)	245,215	363,847	103,048
Less: Allowance for impairment		-	-	(2,833)
		245,215	363,847	100,215
		4,251,620	3,867,623	3,907,188
Current:				
Trade receivables		11,434	53,341	10,512
Other receivables		216,119	358,313	268,006
Less: Allowance for impairment		(21,523)	(84,493)	(15,765)
		194,596	273,820	252,241
Amount due from associates	(d)	350	22,403	59,887
Less: Allowance for impairment		-	-	(43,255)
		350	22,403	16,632
Amount due from related companies	(c)	2,200,000	984,301	692,853
Amount due from related parties	(d)	661,511	726,691	860,207
Less: Allowance for impairment		(364,528)	(250,127)	(565,349)
		296,983	476,564	294,858
Amount due from holding company	(g)	3,803,601	-	210,709
Prepayments	(e)	568,672	68,923	196,135
Deposits	(f)	666,813	275,988	121,186
		7,742,449	2,155,340	1,795,126

(a) Included in non-current other receivables is a receivable of RM334.7 million (equivalent to IDR1.187 billion) arising from the disposal of a perpetual capital security which has been fully impaired in the previous financial year.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

14. Receivables and prepayments (cont'd.)

(b) The non-current amount due from a related company represents a loan to PAA, which is unsecured and bears interest at 6% per annum.

(c) In connection with the proposal to dispose the Group to AirAsia X Berhad as disclosed in Note 31, it is planned that the entire of the amount will be novated to CAB.

(d) The other amounts due from related parties and associates are unsecured, non-interest bearing and have no fixed repayment terms.

(e) Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider for the upcoming services being scheduled more than 1 year.

(f) Deposits of the Group at the reporting date are primarily with airports and aviation authorities.

(g) In 2023, the Group sold its proprietary rights to the "AirAsia" brand to its holding company for a consideration of RM4.5 billion. As disclosed in Note 31, subsequent to AirAsia X Berhad ("AAX") acquiring the Company for a cash consideration of RM3,800,000,000, the Company intends to novate this amount due from CAB to AAX, which will be used to offset against the amount due to CAB for the acquisition of the Company. The transaction is expected to be completed within 12 months from the date of this report.

Movements of the expected credit losses of trade and other receivables are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
At 1 January	675,307	967,889	955,259
Impairment (Note 6)	120,545	67,853	16,097
Reversal (Note 6)	(45,328)	-	-
Write off	(31,413)	(362,476)	-
Exchange differences	1,676	2,041	(3,467)
At 31 December	720,787	675,307	967,889

The ageing analysis of trade receivables is as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Current	11,197	39,886	426
1 to 90 days	236	8,177	7,614
91 to 120 days	-	5,183	246
121 to 180 days	1	1	492
181 to 365 days	-	94	1,734
Past due but not impaired	237	13,455	10,086
	11,434	53,341	10,512

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

14. Receivables and prepayments (cont'd.)

Impairment of trade receivables are recognised based on the simplified approach. Impairment is recognised against trade receivables over their credit period based on estimated amounts determined by reference to past default experience of the counterparty and and analysis of the counterparty's current financial position.

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

15. 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.

16. Derivative financial instruments

	2022		2021	
	Assets RM'000	**Liabilities RM'000**	**Assets RM'000**	**Liabilities RM'000**
Non-current				
Interest rate swaps				
- held for trading	-	-	-	32,785

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.

The Group recognised a gain of RM45.0 million in 2022 and RM32.0 million in 2021 arising from termination of the derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate, changes in yield curve. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 29(e).

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

16. Derivative financial instruments (cont'd.)

	2022		2021	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate swaps	-	-	688,280	(32,785)

(i) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2023 were Nil (2022: Nil; 2021: RM688.2 million).

17. Inventories

	2023 RM'000	2022 RM'000	2021 RM'000
At cost			
Consumables, in-flight merchandise and others	18,757	8,484	9,739

Amount of the inventories recognised in operating expenses of the Group was RM218.0 million (2022: RM112.0 million and 2021: RM1.9 million).

18. Deposits, cash and bank balances

	2023 RM'000	2022 RM'000	2021 RM'000
Deposits with licensed banks	53,611	10,122	8,389
Cash and bank balances	114,880	188,341	419,585
Deposits, cash and bank balances	168,491	198,463	427,974
Deposits with licensed banks with maturity period of more than 3 months	(9,802)	(1,085)	(1,261)
Deposits pledged as securities and restricted cash	(28,579)	(10,116)	(7,128)
Cash and cash equivalents	130,110	187,262	419,585

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

18. Deposits, cash and bank balances (cont'd.)

The currency profile of deposits, cash and bank balances are as follows:

	Group		
	2023 RM'000	**2022 RM'000**	**2021 RM'000**
Ringgit Malaysia	94,016	43,224	385,187
US Dollar	24,646	70,771	25,676
Chinese Renminbi	5,212	18,171	4,454
Others	44,617	66,297	12,657
	168,491	198,463	427,974

Short-term deposits are placed for varying period of twelve months for both financial years 2023 and 2022 (2021: 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 reporting dates are as follows:

	2023 %	**2022 %**	**2021 %**
Deposits with licensed banks	2.88	1.97	1.71

19. Trade and other payables and sales in advance

(a) Trade and other payables

	2023 RM'000	**2022 RM'000**	**2021 RM'000**
Non-current:			
Other payables	802,108	821,539	394,515
Current:			
Trade payables	806,922	394,916	818,971
Amount due to associates	779	250,678	1,319
Amount due to related companies	859,931	37,872	11,967
Amount due to related parties	409,990	163,630	90,967
Amount due to holding company	11,922	372,443	-
Accrual for fuel	104,773	86,542	54,971
Other payables and accruals	675,867	311,959	788,309
	2,870,184	1,618,040	1,766,504
Total trade and other payables	3,672,292	2,439,579	2,161,019

The current other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

19. Trade and other payables and sales in advance (cont'd.)

The amount due to associates relates to amounts owing to TAA which is an associate company of the Group at CAB level in FY2022.

The amounts due to associates and related parties are unsecured, interest free and payable on demand.

The amount due to holding company, CAB, is unsecured and repayable on demand. The carrying amount includes advances owing to the holding company from the RCUIDS issued, amounting to RM822,995,848 which bear interest at 9% and is repayable in demand. This amount has been set off against other transactions with the holding company during the financial year.

(b) Sales in advance

	2023 RM'000	2022 RM'000	2021 RM'000
Current	809,091	810,937	547,690

Sales in advance represents the deferred revenue account triggered upon booking by customers. Amount includes ticket fare, seat fees, baggage fees, inflight meals, merchandise, admin fees, service fees and airport fees. Revenue will only be recognised upon flown, specifically upon closing flight status.

20. Aircraft maintenance provisions and liabilities

	2023 RM'000	2022 RM'000	2021 RM'000
Aircraft maintenance provisions (i)	3,949,299	3,938,433	3,874,241
Aircraft maintenance reserve fund (ii)	1,735,389	1,555,893	1,568,503
	5,684,688	5,494,326	5,442,744
Disclosed as			
Non-current	4,808,533	4,518,073	4,427,352
Current	876,155	976,253	1,015,392
	5,684,688	5,494,326	5,442,744

(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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

20. Aircraft maintenance provisions and liabilities (cont'd.)

The movements in the aircraft maintenance provisions of the Group during the financial year are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
At beginning of year	3,938,433	3,874,241	3,663,928
Arose during the year	500,822	84,715	235,147
Utilised	(505,707)	(36,971)	(35,867)
Exchange movements	15,751	16,448	11,033
At end of year	3,949,299	3,938,433	3,874,241

(ii) Aircraft maintenance reserve funds relate to payments made by the lessee, PAA, IAA and TAA 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.

21. Borrowings

		2023 RM'000	2022 RM'000	2021 RM'000
Current				
Revolving credit	(ii)	7,000	23,760	76,010
Term loans	(i)	140,024	52,941	147,464
Swap creditors loan and deferral	(iii)	-	-	219,896
		147,024	76,701	443,370
Non-current				
Term loans	(i)	1,538,559	1,017,194	510,128
Other facility	(iv)	494,239	447,789	-
		2,032,798	1,464,983	510,128
Total borrowings		2,179,822	1,541,684	953,498

(i) The Group's term loan facilities comprise a RM634 million facility from financial institutions obtained in 2023, a RM330.7 million (equivalent to USD75 million) from a non-financial institution obtained in 2022 and a working capital loan from a non-financial institution amounting to RM626.7 million (equivalent to USD150 million) obtained in 2021.

(ii) The revolving credit is for working capital purposes.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

21. Borrowings (cont'd.)

(iii) In 2021, the Group unwound and restructured its exposure in hedges through financing the commodity hedging contracts settlement either via deferral installment payments or conversion into working capital loan. All derivative contracts were terminated by the end of 2022.

(iv) In 2023, the Group secured an additional Predelivery Payment ("PDP") financing of RM46 million (equivalent to USD10 million) from a non-financial institution.

In 2022, the Group secured a Predelivery Payment ("PDP") financing at a net borrowing amount of RM452.1 million (equivalent to USD102.5 million) from a non-financial institution.

The borrowings are secured by the intellectual property of the "AirAsia" brand, certain proprierty, plant and equipment of the Group, shares in a related company, assignment of rights to take delivery of aircrafts and is guaranteed by the holding Company. The Group sold its proprietary rights to the "AirAsia" brand in 2023 to a related company for a consideration of RM4.5 billion.

	2023	**2022**	**2021**
	%	**%**	**%**
Weighted average interest rate			
Term loans	11.05%	11.97%	9.67%
Revolving credit	7.00%	4.98%	4.24%
Swap creditors loan	-	-	5.87%
Other facilities	10.47%	6.16%	-

The borrowings are repayable as follows:

	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Not later than 1 year	147,024	76,701	443,370
Later than 1 year and not later than 5 years	2,032,798	775,982	64,831
Later than 5 years	-	689,001	445,297
	2,179,822	1,541,684	953,498

Total borrowings as at reporting date consist of the following banking facilities:

	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Fixed rate borrowings	1,073,521	1,093,895	849,048
Floating rate borrowings	1,106,301	447,789	104,450
	2,179,822	1,541,684	953,498

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

21. Borrowings (cont'd.)

The carrying amounts and fair values of the fixed rate borrowings are as follows:

	2023 Carrying amount RM'000	2023 Fair value RM'000
Term loans	1,066,521	1,057,247
Revolving credit	7,000	7,000
	1,073,521	1,064,247

	2022 Carrying amount RM'000	2022 Fair value RM'000
Term loans	1,070,135	1,055,943
Revolving credit	23,760	23,760
	1,093,895	1,079,703

	2021 Carrying amount RM'000	2021 Fair value RM'000
Term loans	553,142	551,412
Revolving credit	76,010	76,010
Swap creditors loan and deferral	219,896	219,896
	849,048	847,318

The fair values of the floating rate borrowings approximate their carrying amounts.

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 reporting date, at 7.00% to 9.50% (2022: 6.00% to 9.50%; 2021: 6.00% to 11.75%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

22. 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 (2022 and 2021: 2 to 19 years) whilst land and building generally have a lease term of 2 to 20 years (2022: 2 to 20 years; 2021: 2 to 20 years).

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

22. Leases (cont'd.)

Group as a lessee (cont'd.)

The Group also has certain leases of property, plant and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of ROU assets recognised and the movements during the year:

		Aircraft and spare engines RM'000	Land and building RM'000	Total RM'000
As at 1 January 2023		7,760,862	33,683	7,794,545
Additions		460,121	-	460,121
Modifications		(192,728)	-	(192,728)
Termination	(a)	(378,605)	-	(378,605)
Depreciation		(933,813)	(10,552)	(944,365)
Exchange movements		29,579	-	29,579
As at 31 December 2023		6,745,416	23,131	6,768,547
As at 1 January 2022		8,144,325	45,271	8,189,596
Additions		129,768	-	129,768
Modifications		10,970	-	10,970
Depreciation		(947,172)	(11,588)	(958,760)
Reversal of impairment (Note 6)		406,053	-	406,053
Exchange movements		16,918	-	16,918
As at 31 December 2022		7,760,862	33,683	7,794,545
As at 1 January 2021		7,684,306	28,810	7,713,116
Additions		807,158	31,848	839,006
Modifications		849,793	-	849,793
Depreciation		(1,195,664)	(15,387)	(1,211,051)
Exchange movements		(1,268)	-	(1,268)
As at 31 December 2021		8,144,325	45,271	8,189,596

(a) Termination during the financial year is mainly due to 6 aircrafts being novated to related companies.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

22. 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:

	2023 RM'000	2022 RM'000	2021 RM'000
As at 1 January	13,207,438	12,095,940	10,595,099
Additions	1,031,470	409,719	289,267
Accretion of interest	626,516	615,757	573,092
Payments	(1,788,346)	(1,256,577)	(426,984)
Modifications	502,746	708,374	647,428
Exchange movements	523,646	634,225	418,038
As at 31 December	14,103,470	13,207,438	12,095,940
Current	3,459,872	3,220,900	2,719,725
Non-current	10,643,598	9,986,538	9,376,215
	14,103,470	13,207,438	12,095,940

The maturity analysis of lease liabilities are disclosed in Note 29(c).

The following are the amounts recognised in profit or loss:

	2023 RM'000	2022 RM'000	2021 RM'000
Depreciation of right-of-use assets	944,365	958,760	1,211,051
Interest expense on lease liabilities	626,516	615,757	573,092
Expense relating to short-term leases	126,110	116,602	-
Reversal of impairment of right-of-use assets	-	(406,053)	-
Reversal of impairment of finance lease receivables (Note 6)	-	(48,734)	-
Gain/(loss) on lease modifications	(87,185)	316,987	(210,813)
Total amount recognised in profit or loss	1,609,806	1,553,319	1,573,330

The Group had total cash outflows for leases of RM1,788.3 million in 2023, RM1,256.6 million in 2022 and RM427.0 million in 2021. Included in lease liabilities are overdue lease rental payables during the year amounting to approximately RM1,403.0 million in 2023, RM1,666.9 million in 2022 and RM1,570.9 million in 2021.

Modifications represent 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

22. Leases (cont'd.)

Group as a lessee (cont'd.)

Reversal of impairment on right-of-use assets

In the financial year 2022, the Group reversed impairment loss of amounting to RM406 million on certain right-of-use assets with the recovery of the COVID-19 pandemic. This was recognised in the income statement as other operating income.

The recoverable amount was based on value in use as at 31 December 2021, 31 December 2022 and 31 December 2023, and determined at the level of the CGU of the Group representing the airline business. The recoverable amount of the CGU has 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.

The discount rate applied to the cash flow projections averaged from 13.5% (2022: 10.5%, 2021: 9%). The assumptions used to determine the recoverable amounts include revenue per passenger, load factor, fuel cost, passengers charges and growth rate which may change significantly depending on the recovery of the aviation industry aviation industry in Malaysia, 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:

	2023 RM'000	2022 RM'000	2021 RM'000
As at 1 January	2,171,771	1,269,587	1,698,983
New leases entered into during the financial year	1,040,042	458,369	-
Modification	782,659	380,417	8,448
Lease payments received during the financial year	(917,335)	(118,178)	(350,579)
Finance income (Note 8(a))	225,057	53,849	45,230
Reversal Impairment of finance lease receivables (Note 6)	-	48,734	-
Exchange movements	480,852	78,993	(132,495)
As at 31 December	3,783,046	2,171,771	1,269,587
Current	780,452	397,269	545,418
Non-current	3,002,594	1,774,502	724,169
	3,783,046	2,171,771	1,269,587

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

22. Leases (cont'd.)

Group as a lessor - finance lease (cont'd.)

Lease income from lease contracts in which the Group acts as a lessor:

	2023 RM'000	2022 RM'000	2021 RM'000
Finance lease			
- Finance income on the finance lease receivables	225,057	53,849	45,230
Operating lease			
- Aircraft operating lease income	179,361	304,819	247,934

23. Share capital and capital contribution

23.1 Share capital

	Group		
	2023 RM'000	2022 RM'000	2021 RM'000
Ordinary shares			
Issued and fully paid up:			
As at 1 January/31 December	2,515,673	2,515,673	2,515,673

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

23. Share capital and capital contribution (cont'd.)

23.2 Capital contribution

Capital contribution relates to ESOS granted by the holding company to certain eligible employees of the Group.

24. Share-based payments

Long Term Incentive Scheme ("LTIS")

On 2 August 2021, the holding company, CAB 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 holding 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.

Employee share option scheme "ESOS"

On 3 August 2021, the holding 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 holding 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 holding company so as to predict the share performance.

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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

24. Share-based payments (cont'd.)

The expense recognised for employee services received during the year are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Expense arising from equity-settled share-based payment transactions	2,409	2,479	1,033

There were no cancellations or modifications to the award in 2022 and 2021.

Movements during the year

The following table illustrates the number of, and movements in, ESOS during the year.

	2023 '000	2022 '000	2021 '000
Outstanding at 1 January	16,100	27,100	-
Granted during the year	-	-	27,100
Forfeited during the year	(6,000)	(3,800)	-
Other movements	(700)	(7,200)	-
Outstanding at 31 December	9,400	16,100	27,100

The fair value of options granted during the year was RM0.282. The exercise price for ESOS outstanding at the end of the year was RM0.7425.

The following table list the inputs to the model used for the ESOS for the year ended 31 December 2023:

	Share options granted on 3 Aug 2021
Fair value at the measurement date (RM)	0.282
Expected volatility (%)	53.874
Risk-free interest rate per annum (%)	2.242
Expected life of ESOS (years)	6
Model used	Monte-Carlo blended with Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

25. Other reserves

	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2023	-	(64,689)	(64,689)
Net change in fair value	-	74,195	74,195
At 31 December 2023	-	9,506	9,506
At 1 January 2022	-	(60,121)	(60,121)
Net change in fair value	-	(4,568)	(4,568)
At 31 December 2022	-	(64,689)	(64,689)
At 1 January 2021	(28,815)	(54,413)	(83,228)
Net change in fair value	37,914	(5,708)	32,206
Deferred tax recognised in other comprehensive income	(9,099)	-	(9,099)
At 31 December 2021	-	(60,121)	(60,121)

26. Commitments

Capital commitments not provided for in the financial statements are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment:			
- Approved and contracted for	107,089,416	102,608,980	97,163,376

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:

	2023 RM'000	2022 RM'000	2021 RM'000
Later than 1 year and not later than 5 years	12,122,544	12,908,493	7,688,395
Later than 5 years	94,966,872	89,700,487	89,474,981
	107,089,416	102,608,980	97,163,376

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

27. Significant related companies and related parties transactions

In addition to the related companies and related parties disclosures mentioned elsewhere in the financial statements, set out below are other significant related companies and related parties disclosures.

Entities listed under investment in associates are considered as 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 companies and related parties transactions were carried out on agreed terms and conditions.

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group.

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.

	2023 RM'000	2022 RM'000	2021 RM'000
(a) Income:			
Aircraft operating and finance lease income for leased aircraft			
- PT Indonesia AirAsia	34,834	63,580	44,371
- AirAsia Inc (Including Philippines AirAsia Inc)		303	83
- Thai AirAsia X Co. Ltd	100,572	204,447	175,793
- AirAsia (India) Limited	-	-	273
- Teleport Everywhere Pte Ltd	43,955	8,467	886
Brand License Fee			
- AirAsia X Berhad	2,919	5,389	-
- Thai AirAsia X Co. Ltd	10,126	4,180	-
- Philippines AirAsia Inc	94	27,456	-
- Thai AirAsia X Co. Ltd	25,786	-	-

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

27. Significant related companies and related parties transactions (cont'd.)

	2023 RM'000	2022 RM'000	2021 RM'000
(a) Income: (cont'd.)			
Support service fees charged to related parties for provision of support services	1,234	1,797	50,800
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	28,319	15,429	1,230
(b) Other income/(expenses):			
Maintenance reserve fund charged to			
- PT Indonesia AirAsia	35,780	34,554	33,093
- AirAsia Inc (Including Philippines AirAsia Inc)	54,959	1,929	2,931
- Thai AirAsia Co. Ltd	257,507	120,151	46,166
- AirAsia (India) Limited	-	13,967	3,253
Gain on disposal of brand to			
- Capital A Berhad	4,500,000	-	-
Interest charges to			
- AirAsia Inc (Including Philippines AirAsia Inc)	39,283	37,942	35,673
- Ground Team Red Sdn Bhd	829	459	244
Interest on RCUIDS charged by Capital A Berhad	(55,821)	(55,821)	-
Management fees charged by:			
- AASEA Sdn Bhd	(41,888)	(93,023)	(64,186)
- AirAsia Aviation Management Services Sdn Bhd	(22,593)	-	-

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

27. Significant related companies and related parties transactions (cont'd.)

	2023 RM'000	2022 RM'000	2021 RM'000
(c) Other income/(expenses): (cont'd.)			
Commission charged by			
- AirAsia Com Travel Sdn Bhd	(177,751)	(114,842)	(18,152)
Service fee charged by			
- Asia Digital Engineering Sdn Bhd	(135,498)	(123,492)	(90,674)
Brand license cost charged by			
- AirAsia Aviation Group Limited	30,538	-	-

28. Financial instruments

	Measured at amortised costs RM'000	Measured at FVOCI RM'000	Total RM'000
31 December 2021			
Financial assets as per statements of financial position			
Investment securities (Note 12)	-	37,220	37,220
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 14)	2,083,109	-	2,083,109
Deposits, cash and bank balances (Note 18)	427,974	-	427,974
Finance lease receivables (Note 22)	1,269,587	-	1,269,587
Total	3,780,670	37,220	3,817,890

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

28. Financial instruments (cont'd.)

	Liabilities at FVTPL RM'000	Other financial liabilities RM'000	Total RM'000
31 December 2021			
Financial liabilities as per statements of financial position			
Borrowings (Note 21)	-	953,498	953,498
Derivative financial instruments (Note 16)	32,785	-	32,785
Trade and other payables (Note 19)	-	2,161,019	2,161,019
Lease liabilities (Note 22)	-	12,095,940	12,095,940
Total	32,785	15,210,457	15,243,242

	Measured at amortised costs RM'000	Measured at FVOCI RM'000	Total RM'000
31 December 2022			
Financial assets as per statements of financial position			
Investment securities (Note 12)	-	32,652	32,652
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 14)	2,485,614	-	2,485,614
Deposits, cash and bank balances (Note 18)	198,463	-	198,463
Finance lease receivables (Note 22)	2,171,771	-	2,171,771
Total	4,855,848	32,652	4,888,500

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

28. Financial instruments (cont'd.)

	Other financial liabilities RM'000	Total RM'000
31 December 2022		
Financial liabilities as per statements of financial position		
Borrowings (Note 21)	1,541,684	1,541,684
Trade and other payables (Note 19)	2,439,579	2,439,579
Lease liabilities (Note 22)	13,207,438	13,207,438
Total	17,188,701	17,188,701

	Measured at amortised costs RM'000	Measured at FVOCI RM'000	Total RM'000
31 December 2023			
Financial assets as per statements of financial position			
Investment securities (Note 12)	-	106,847	106,847
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 14)	7,211,239	-	7,211,239
Deposits, cash and bank balances (Note 18)	168,491	-	168,491
Finance lease receivables (Note 22)	3,783,046	-	3,783,046
Total	11,162,776	106,847	11,269,623

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

28. Financial instruments (cont'd.)

	Other financial liabilities RM'000	Total RM'000
31 December 2023		
Financial liabilities as per statements of financial position		
Borrowings (Note 21)	2,179,822	2,179,822
Trade and other payables (Note 19)	3,672,292	3,672,292
Lease liabilities (Note 22)	14,103,470	14,103,470
Total	19,955,584	19,955,584

29. 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.

29. 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.)

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) 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 16).

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

29. 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.)

(i) Interest rate risk (cont'd.)

If interest rate on USD denominated borrowings at 31 December 2023, 31 December 2022 and 31 December 2021 had been 60 basis points higher or 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 or decrease in the the interest expense on floating rate borrowings are tabulated below. The impact on post-tax profits are as follow.

		2023 RM'000	2022 RM'000	2021 RM'000
Impact on post tax profits	**+60bps**	10,871	7,811	3,023
	-60bps	(10,871)	(7,811)	(3,023)

Impact on other

The remaining terms of the outstanding interest rate derivative contracts of the Group at reporting date, which are all denominated in USD, are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Later than 5 years:			
Interest rate swaps	-	-	688,280

(ii) 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 2023, 2022 and 2021, the Group has not hedged any of its USD denominated borrowings.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

29. 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) Foreign currency risk (cont'd.)

	2023 RM'000	2022 RM'000	2021 RM'000
USD/ MYR			
- strengthened 10%	20,434	(18,740)	(36,231)
- weakened 10%	(20,434)	18,740	36,231

(b) Credit risk

Credit risk is the risk of financial loss to the Group 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 exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables, deposits on aircraft purchase and derivative financial instruments. As the Group does 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.

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 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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

29. 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 into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2021				
Term loans	157,000	270,276	474,800	29,000
Revolving credit	77,000	-	-	-
Swap creditors loan	220,000	-	-	-
Trade and other payables (Note 19)	1,766,504	394,515	-	-
Lease liabilities	3,182,917	1,393,990	4,244,597	5,442,660
	5,403,421	2,058,781	4,719,397	5,471,660
Net-settled derivatives				
Trading	-	-	-	32,785
At 31 December 2022				
Term loans	52,941	909,386	491,856	-
Revolving credit	23,760	-	-	-
Other facilities	-	417,848	29,941	-
Trade and other payables (Note 19)	1,618,040	821,539	-	-
Lease liabilities	3,271,395	1,458,410	5,056,577	5,733,684
	4,966,136	3,607,183	5,578,374	5,733,684

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

29. 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.)

	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2023				
Term loans	96,898	1,024,793	1,031,191	-
Revolving credit	7,000	-	-	-
Other facilities	-	494,239	-	-
Trade and other payables (Note 19)	2,870,184	802,108	-	-
Lease liabilities	3,468,912	1,995,700	5,987,101	5,495,034
	6,442,994	4,316,840	7,018,292	5,495,034

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group 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 overall strategy remains unchanged from 2021, 2022 and 2023.

Consistent with others in the industry, the Group 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 balance sheet) add lease liabilities less deposit, cash and bank balances.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(d) Capital management (cont'd.)

The net gearing ratio as at 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Total borrowings (Note 21)	2,179,822	1,541,684	953,498
Lease liabilities (Note 22)	14,103,470	13,207,438	12,095,940
Less: Deposit, cash and bank balances (Note 18)	(168,491)	(198,463)	(427,974)
Net debts	16,114,801	14,550,659	12,621,464
Total equity	(1,504,694)	(5,208,655)	(3,460,239)
Net Gearing Ratio (times)	N/A	N/A	N/A

In the prior 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, 31 December 2022 and 31 December 2023.

(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.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(e) Fair value measurement (cont'd.)

Determination of fair value and fair value hierarchy

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 assets and liabilities that are measured at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2023				
Assets				
Investment securities	106,725	-	122	106,847

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

29. 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 assets and liabilities that are measured at fair value. (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2022				
Assets				
Investment securities	32,530	-	122	32,652
31 December 2021				
Assets				
Investment securities	37,098	-	122	37,220
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	32,785	-	32,785

There is no transfer from Level 1, 2 and 3 during the period.

For fair value measurements categorised within Level 2 and 3 of the fair value hierarchy, the fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

30. Significant event

(i) Outright sale of (1) aircraft spare engine and sale and leaseback of (1) aircraft spare engine

On 18 January 2021, the Group's Board approved the outright sale and sale and leaseback transactions of one (1) A320 neo aircraft spare engine and one (1) A320 ceo aircraft spare engine respectively via AAC to ST Engineering Aerospace Supplies Pte. Ltd.. Pursuant to this, the Group disposed the two (2) aircraft spare engines to AAC for a disposal consideration of USD17.65 million (equivalent to RM71.5 million). These transactions were completed on 22 March 2021.

(ii) Disposal of property, plant and equipment and inventories to ADE

On 27 December 2021, the Group disposed certain property, plant and equipment and inventories to ADE at net book value for a total consideration of RM247 million. The disposal of property, plant and equipment comprise aircraft spares, building and office equipment, furniture and fittings amounting to RM99 million (net of impairment), RM47 million and RM3 million respectively while the disposal of inventories comprise consumables of RM98 million.

(iii) Cybersecurity attack

On 12 November 2022, a cybersecurity breach incident was discovered on some of the Group's redundant and non-critical servers. Although the systems affected were not critical, the Group has taken the necessary measures to resolve and prevent this incident from reoccurring. There were no operational impact arising from this incident.

Further, the Group has duly notified and cooperated with the relevant supervisory authorities upon being aware of the cyber breach. The Group has taken the relevant steps to mitigate the impact of the breach including implementing additional measures to prevent similar incidence in the future. To the best of the Group's knowledge and as at the date of this report, the Group has not been made aware of any pending litigation or claims against the Group relating to the incident.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

30. Significant event (cont'd.)

(iv) Sale and leaseback transaction of up to twelve (12) A321Neo Aircraft and advance payment amounting to USD75 million ("Transaction")

On 14 February 2022, the Group's board approved the Transaction with Avolon Aerospace Leasing Limited ("Avolon"). Pursuant to this, the Group and Avolon entered into an advance payment agreement in relation to twelve (12) A321Neo Aircraft to be assigned and scheduled to be delivered from the third quarter of 2024 through the second quarter of 2025. In May 2022, the Group received the advance payment of USD75 million from Avolon.

31. Subsequent Event

(i) The holding company, Capital A Berhad had on 25 April 2024 entered into the following:

(a) a conditional share sale and purchase agreement with AAG for the 100% equity interest in the Company, for a cash consideration of RM3,800,000,000. The Company intends to novate this amount due from CAB to AAX, which will be used to offset against the amount due to CAB for the acquisition of the Company. The transaction is expected to be completed within 12 months from the date of this report. Subsequently the conditional share sale and purchase agreement with AAG was novated to AAX.

32. Other matters

Litigations involving the Group and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

In prior years, the Group, 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 the Group 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 the Group and ordered the Group to pay MASSB:

(a) RM9,395,856.50 in outstanding PSC and RM90,055.50 in outstanding Late Payment Charges ("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, the Group filed appeals in the Court of Appeal against the aforesaid High Court decision.

32. Other matters (cont'd.)

Litigations involving the Group and Malaysia Airports (Sepang) Sdn Bhd ("MASSB") (cont'd.)

On 18 September 2019, the Group 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 the Group without prejudice to the Group's rights, including the Group'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, the Group 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 Group 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 Group's motions to adduce fresh evidence and MASSB's supplementary affidavits.

On 24 March 2021, the Court of Appeal allowed the Group's motions to adduce fresh evidence and Supplementary Records of Appeal consisting of the fresh evidence were filed on 5 April 2021 and served on 6 April 2021 .

On 14 April 2021 , the Court of Appeal gave directions for the filing of written submissions and fixed the appeals for:-

(a) e-Review case management on 12 January 2022; and

(b) e-appellate hearing by Zoom on 27 January 2022.

The appeals were heard on 27 January 2022.

On 3 March 2022, the Court of Appeal dismissed the Group's four (4) appeals against the High Court's two (2) summary judgments and two (2) orders dismissing the Group'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, the Group 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.

On 9 August 2022, the Group jointly agreed with MAASB to discontinue the Federal Court proceedings and the Group filed a notice of discontinuance to that effect. Accordingly, the Federal Court vacated the hearing of the application on 11 August 2022.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

32. 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 (SY1447)

On 2 October 2019, the Group (together with AAX) 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.

The Group and AAX subsequently filed an amended statement of claim on 23 December 2019 and a reply on 26 December 2019.

The Group and AAX applied for an application to expunge an affidavit filed by MASSB ("Expungement Application") on 12 March 2021. MASSB subsequently applied to strike out the whole suit ("Striking Out Application") and also applied for further and better particulars ("FBP Application") on 30 March 2021. MASSB's FBP Application is held over pending the disposal of the Striking Out Application.

MASSB's Striking Out Application was heard on 14 February 2022. The High Court dismissed the Striking Out Application on 25 March 2022 with costs in the cause.

MASSB lodged an application for further and better particulars ("FBP Application") over the disposal of the Striking Out Application.

At the Case Management on 4 April 2022, the High Court fixed the FBP Application to be heard before the High Court Judicial Commissioner on 22 June 2022. A further case management is scheduled after the hearing takes place.

Through a series of communications between the Group, AAX and MASSB, the parties agreed to discontinue all civil suits between AirAsia and MAHB, which was effected by appropriate filings in court on 9 August 2022. Save for mutual agreement to discontinue the legal proceedings, there was no other settlement agreement entered into by the parties.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

32. Other matters (cont'd.)

Litigation involving AirAsia Digital Sdn Bhd, AirAsia Berhad and Big Pay Pte Ltd.

On 18 November 2021, an arbitration proceedings were commenced against AAD and the Company in Singapore International Arbitration Centre. The claimants are seeking for a buyout of their shares in Big Pay Pte. Ltd. for an amount to be determined. The proceedings are still at an early stage, where the parties are at the discovery stage. The solicitors are of the view that the AAD and the Group have reasonable prospects of successfully defending the claim.

33. Financial Support

CAB has indicated its intention to provide financial support to the Group to meet its liabilities and obligation as and when they fall due and to carry on its business without significant curtailment of operations.

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

34. Reconciliation of liabilities arising from financing activities

		Cashflows		Non-cash movement			
	At 1.1.2023 RM'000	Drawdown RM'000	Repayments RM'000	Finance costs RM'000	Addition and modification of leases RM'000	Foreign exchange movement RM'000	At 31.12.2023 RM'000
Borrowings	1,541,684	680,274	(42,136)	178,109	-	(178,109)	2,179,822
Lease liabilities	13,207,438	-	(1,788,346)	626,516	1,534,216	523,646	14,103,470
	At 1.1.2022 RM'000	**Drawdown RM'000**	**Repayments RM'000**	**Finance costs RM'000**	**Addition and modification of leases RM'000**	**Foreign exchange movement RM'000**	**At 31.12.2022 RM'000**
Borrowings	953,498	998,528	(415,730)	152,916	-	(147,528)	1,541,684
Lease liabilities	12,095,940	-	(1,256,577)	615,757	1,118,093	634,225	13,207,438
	At 1.1.2021 RM'000	**Drawdown RM'000**	**Repayments RM'000**	**Finance costs RM'000**	**Addition and modification of leases RM'000**	**Foreign exchange movement RM'000**	**At 31.12.2021 RM'000**
Borrowings	875,452	521,060	(464,819)	69,444	-	(47,639)	953,498
Lease liabilities	10,595,099	-	(426,984)	573,092	936,695	418,038	12,095,940

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board who collectively and individually accepts full responsibility for the accuracy of the information given and contained herein. Our Board hereby confirms that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or other facts, the omission of which would make any statement in this Circular false or misleading.

Information relating to AAX in this Circular was obtained from publicly available sources and/or provided by AAX. The responsibility of our Board is therefore limited to ensuring that such information has been accurately reproduced in this Circular and our Board accepts no further or other responsibility in respect of such information.

2. CONSENT AND CONFLICT OF INTEREST

2.1 RHB Investment Bank

RHB Investment Bank, being the Principal Adviser to our Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad ("**RHB Bank**"), and the subsidiaries and associated companies of RHB Bank ("**RHB Banking Group**") form a diversified financial group. RHB Banking Group may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the role as set out in this Circular. RHB Banking Group, its directors and major shareholders may from time to time hold or deal in the securities of our Company and/or our affiliates for their own accounts or their proprietary accounts.

Furthermore, in the ordinary course of business, RHB Banking Group may at any time offer or provide its services or engage in any transactions (whether on its own account or otherwise) with our Company and/or our affiliates and/or any other entity or person, hold long or short positions in the securities offered by our Company and/or our affiliates, make investments recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Company and/or our affiliates.

The businesses of RHB Banking Group generally act independently of each other, and accordingly, there may be situations where parts of RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the said regulations issued by the relevant authorities governing its advisory business, which require, amongst others, segregation between dealing and advisory activities and Chinese Wall between different business divisions.

As at the LPD, RHB Banking Group had extended various credit facilities amounting to RM470.71 million ("**Credit Facilities**") to our Group. The Credit Facilities represent approximately 1.52% of the audited consolidated NA of RHB Bank of approximately RM30.87 billion as at 31 December 2023.

Notwithstanding the above, RHB Investment Bank is of the opinion that concerns of any potential conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to our Company for the Proposals are mitigated by the following:

(a) RHB Investment Bank is a licensed investment bank and its appointment as the Principal Adviser to our Company for the Proposals is in the ordinary course of its business and RHB Investment Bank does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Principal Adviser to our Company for the Proposals;

(b) the Credit Facilities were approved by RHB Banking Group's relevant credit committee and granted on an arm's length basis and is not material when compared to the audited consolidated NA of RHB Bank of approximately RM30.87 billion as at 31 December 2023;

(c) the Corporate Finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the Securities Commission Malaysia, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese Wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and

(d) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

Save as disclosed above, RHB Investment Bank confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to our Company for the Proposals.

2.2 PIVB

PIVB, being the Independent Adviser to the non-interested Directors and non-interested shareholders of our Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

PIVB confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Independent Adviser to the non-interested Directors and non-interested shareholders of our Company for the Proposals.

2.3 DCAS

DCAS, being the independent valuer for our Company in respect of AAAGL and AAB for the Proposed Disposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Valuation Letter, DCAS' letter dated 10 September 2024 and all references thereto in the form and context in which they appear in this Circular.

For information purposes, DCAS was jointly appointed by our Company and AAX for the valuation of AAAGL and AAB. Notwithstanding that, DCAS confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the independent valuer for our Company in relation to the Proposed Disposals.

2.4 EY

EY, being the Reporting Accountants to our Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, its reports on the pro forma consolidated statements of financial position of our Group as at 31 December 2023, consolidated financial statements of AAAGL, consolidated financial statements of AAB, and all references thereto in the form and context in which they appear in this Circular.

EY confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Reporting Accountants to our Company for the Proposals.

3. MATERIAL COMMITMENTS

Save as disclosed below, there is no material commitment incurred or known to be incurred by our Group which may have a material impact on the financial results/position of our Group:

	Audited as at 31 December 2023 RM'million
Capital commitment	
Contracted but not provided for	
• Not later than 1 year	1,035.92
• Later than 1 year and not later than 5 years	19,216.71
• Later than 5 years	86,836.79
Total	**107,089.42**

Note:

The approved and contracted for capital commitments for the Group are in respect of aircraft purchase.

4. CONTINGENT LIABILITIES

As at the LPD, there is no contingent liability incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results/position of our Group.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Company's registered office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia from Mondays to Fridays (except public holidays) during normal business hours from the date of this Circular up to and including the date of the forthcoming EGM:

(i) Constitutions of our Company, AAX, AAAGL and AAB;

(ii) audited consolidated financial statements of our Group and AAX for the past 2 financial years up to the FYE 31 December 2023 and the latest unaudited consolidated financial statements of our Company for the 6-month FPE 30 June 2024;

(iii) Reporting Accountants' report on the pro forma consolidated statements of financial position of our Group as at 31 December 2023 together with the notes thereto as set out in Appendix VI of this Circular;

(iv) Reporting Accountants' report on the consolidated financial statements of AAAGL as set out in Appendix IX of this Circular;

(v) Reporting Accountants' report on the consolidated financial statements of AAB as set out in Appendix X of this Circular;

(vi) Valuation Letter and DCAS' letter dated 10 September 2024 as set out in Appendix VII of this Circular;

(vii) AAAGL SSPA and AAB SSPA (which includes the respective supplemental agreements);

(viii) Capital A and its PACs' undertaking letters to dispose AAX Shares referred to in Section 2.1 of Part A of this Circular;

(ix) letters of consent and declaration of conflict of interest referred to in Section 2 of Appendix XI of this Circular;

(x) the material contracts referred to in Section 11 of Appendix II and Section 11 of Appendix III of this Circular; and

(xi) the cause papers in respect of the material litigations referred to in Section 10 of Appendix II and Section 10 of Appendix III of this Circular.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

CAPITAL A BERHAD

(Registration No. 201701030323 (1244493-V))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Capital A Berhad ("**Capital A**" or the "**Company**") will be conducted on a virtual manner through live streaming from the broadcast venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia ("**Broadcast Venue**") and online remote voting using the Remote Participation and Voting facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online website at https://tiih.online on Monday, 14 October 2024 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

SPECIAL RESOLUTION 1

PROPOSED DISPOSAL BY THE COMPANY OF ITS 100% EQUITY INTEREST IN AIRASIA AVIATION GROUP LIMITED ("AAAGL") TO AIRASIA X BERHAD ("AAX") FOR A DISPOSAL CONSIDERATION OF RM3,000.0 MILLION TO BE SATISFIED ENTIRELY VIA THE ALLOTMENT AND ISSUANCE OF 2,307,692,307 NEW ORDINARY SHARES IN AAX AT AN ISSUE PRICE OF RM1.30 EACH ("PROPOSED AAAGL DISPOSAL")

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained (if required) and the conditions precedent in the conditional share sale and purchase agreement dated 25 April 2024 entered into between the Company and AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn. Bhd.) ("**AAG**") pertaining to the Proposed AAAGL Disposal, as supplemented by the supplemental agreement dated 26 July 2024 between the Company, AAG and AAX, and the second supplemental agreement dated 4 September 2024 between the Company and AAX, and includes any amendments, variations and/or supplementals thereto from time to time ("**AAAGL SSPA**") being fulfilled and/or waived (as the case may be), approval be and is hereby given to the Company to dispose of its entire 100% equity interest in AAAGL (including any forms of capital contribution and any unissued capital) to AAX for a disposal consideration of RM3,000.0 million upon the terms and conditions contained in the AAAGL SSPA.

AND THAT the Board of Directors of our Company ("**Board**") be and is hereby empowered and authorised to do all acts, deeds and things (including all applications and submissions to the relevant regulatory authorities and bodies) and take all such decisions as they may in their absolute discretion deem fit, necessary, expedient and/or appropriate in the best interest of the Company and to take all such steps and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed AAAGL Disposal under the terms and conditions of the AAAGL SSPA with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities including to enter into any supplemental agreement(s), if any, in connection with the Proposed AAAGL Disposal, and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner or as the Board may deem necessary or expedient in the best interest of the Company."

SPECIAL RESOLUTION 2

PROPOSED DISPOSAL BY THE COMPANY OF ITS 100% EQUITY INTEREST IN AIRASIA BERHAD ("AAB") TO AAX FOR A DISPOSAL CONSIDERATION OF RM3,800.0 MILLION TO BE SATISFIED ENTIRELY VIA THE ASSUMPTION BY AAX OF AN AMOUNT OF RM3,800.0 MILLION OWING BY THE COMPANY TO AAB ("PROPOSED AAB DISPOSAL")

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained (if required) and the conditions precedent in the conditional share sale and purchase agreement dated 25 April 2024 entered into between the Company and AAG pertaining to the Proposed AAB Disposal, as supplemented by the supplemental agreement dated 26 July 2024 between the Company, AAG and AAX, and the supplemental agreement dated 4 September 2024 between the Company and AAX, and includes any amendments, variations and/or supplementals thereto from time to time ("**AAB SSPA**") being fulfilled and/or waived (as the case may be), approval be and is hereby given to the Company to dispose of its entire 100% equity interest in AAB (including any forms of capital contribution and any unissued capital) to AAX for a disposal consideration of RM3,800.0 million upon the terms and conditions contained in the AAB SSPA.

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things (including all applications and submissions to the relevant regulatory authorities and bodies) and take all such decisions as they may in their absolute discretion deem fit, necessary, expedient and/or appropriate in the best interest of the Company and to take all such steps and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed AAB Disposal under the terms and conditions of the AAB SSPA with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities including to enter into any supplemental agreement(s), if any, in connection with the Proposed AAB Disposal, and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner or as the Board may deem necessary or expedient in the best interest of the Company."

SPECIAL RESOLUTION 3

PROPOSED DISTRIBUTION OF 1,692,307,692 NEW ORDINARY SHARES IN AAX ("AAX SHARES") ARISING FROM THE PROPOSED AAAGL DISPOSAL ("DISTRIBUTION SHARES"), TO THE ENTITLED SHAREHOLDERS OF THE COMPANY BASED ON THEIR RESPECTIVE SHAREHOLDINGS IN THE COMPANY ON A PRO-RATA BASIS, ON AN ENTITLEMENT DATE TO BE DETERMINED BY THE BOARD AND ANNOUNCED LATER BY THE COMPANY ("ENTITLEMENT DATE"), ON WHICH THE NAMES OF ITS SHAREHOLDERS MUST APPEAR IN THE COMPANY'S RECORD OF DEPOSITORS AS AT 5:00 P.M. ON THAT DATE IN ORDER TO BE ENTITLED TO THE PROPOSED DISTRIBUTION BY WAY OF A PROPOSED REDUCTION AND REPAYMENT OF THE COMPANY'S ISSUED SHARE CAPITAL PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("ACT") ("PROPOSED DISTRIBUTION")

"**THAT** subject to the passing of Special Resolution 1 above, the confirmation of the High Court of Malaya pursuant to Section 116 of the Act, and approvals of all relevant authorities and/or parties being obtained (if required), approval be and is hereby given to the Company to carry out the following:

(i) the reduction of the issued share capital of the Company from RM8,769,410,847 to RM6,535,564,694 via the cancellation of a sum of RM2,233,846,153 or such sum to be decided by the Board, subject to the prevailing market price of AAX Shares (1) immediately prior to the application to the High Court of Malaya; and (2) on the Entitlement Date, from the issued share capital of the Company in accordance with Section 116 of the Act;

(ii) upon such reduction taking effect, the entire credit arising from the reduction of RM2,233,846,153 or such sum to be decided by the Board, subject to the prevailing market price of AAX Shares (1) immediately prior to the application to the High Court of Malaya; and (2) on the Entitlement Date, in the issued share capital of the Company shall be applied in distributing 1,692,307,692 Distribution Shares to all entitled shareholders of the Company on a pro-rata basis, whose names appear in the Record of Depositors of the Company on the Entitlement Date.

THAT any fractional entitlements that may arise under the Proposed Distribution shall be disregarded and dealt with in such manner or terms as the Board shall in its absolute discretion deems fit and expedient, and in the best interest of the Company;

THAT the Board be and is hereby empowered and authorised with full powers to take all steps that the Board deems fit and expedient for the proposed Company's issued share capital reduction and repayment pursuant to Section 116 of the Act and upon the receipt of the order of the High Court of Malaya, to distribute the Distribution Shares subject to the Proposed Distribution in such manner and upon such terms as the Board shall in its absolute discretion deems fit and expedient, and in the best interest of the Company;

THAT the Board be and is hereby empowered and authorised with full powers to determine the Entitlement Date referred to in this Special Resolution 3;

AND THAT the Board be and is hereby authorised and empowered to take all steps and to do all acts, deeds and things and to execute, enter into, sign and deliver for and on behalf of the Company, all documents as it may consider necessary or expedient to give full effect to the Proposed Distribution, with full power to fix and vary the Entitlement Date and time, payment date and/or effective date for the Proposed Distribution and assent to and accept any conditions, modifications, variations, arrangements and/or amendments as may be required or imposed or permitted by the relevant authorities/parties and/or the High Court of Malaya and with full power to make any amendments, variations or modifications to the terms and/or conditions of the Proposed Distribution in any manner as the Board may in its absolute discretion deem fit, necessary, expedient and/or appropriate.

BY ORDER OF THE BOARD

CHEW MEI LING (SSM PC NO. 201908003178) (MAICSA 7019175)
CYNTHIA GLORIA LOUIS (SSM PC NO. 201908003061) (MAICSA 7008306)
Company Secretaries

Selangor Darul Ehsan, Malaysia
20 September 2024

Notes:

1. *The Company will conduct the EGM entirely via Remote Participation and Voting facilities. Kindly refer to the Administrative Note for the EGM for more information.*

2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be present at the main venue of the EGM. No shareholders or proxies shall be physically present at the Broadcast Venue on the day of the EGM.*

3. *As the EGM will be conducted via a virtual meeting, a member who is not able to participate in the EGM may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.*

4. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 4 October 2024 shall be eligible to attend the EGM.*

5. *A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his behalf. A proxy may but need not be a member of our Company and a member may appoint any person to be his proxy without limitation save that the proxy must be of full age.*

6. *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.*

7. *Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of our Company standing to the credit of the said securities account.*

8. *Where a member of our Company is an exempt authorised nominee which holds ordinary shares in our Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*

9. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney.*

10. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by our Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned General Meeting at which the person named in the appointment proposes to vote:*

    (i) *In hard copy form*

    In the case of an appointment made in hard copy form, this Form of Proxy must be deposited at our Company's Registered Office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA Selangor, Malaysia.

    (ii) *By electronic forms*

    In the case of an appointment made via electronic means, the Form of Proxy can be electronically lodged with TIIH Online website at https://tiih.online. Please refer to the Administrative Note for further information on submission via TIIH Online website.

11. *Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming EGM, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the EGM.*

12. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolution(s) at the EGM shall be put to vote by way of poll.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of our Company (i) consents to the collection, use and disclosure of the member's personal data by our Company (or its agents) for the purpose of the processing and administration by our Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for our Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to our Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by our Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will fully and wholly indemnify our Company on full indemnity basis (whether demanded or not) in respect of any penalty, liability, claim, demand, loss and damage as a result of the member's breach of warranty.

CAPITAL A BERHAD
(Registration No. 201701030323 (1244493-V))
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No. (Nominees Account Only)	
No. of Shares Held	

I/We...
[Full name in block, NRIC/Passport/Company No.]

Tel: ……………………………….……………….of ....
[Address]

....

being a member/members of CAPITAL A BERHAD ("**our Company**") hereby appoint:

Full Name (in Block):	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Address:			
Email Address:			
Mobile Number:			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address:			
Mobile Number:			

or failing whom, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of our Company to be conducted virtually at the broadcast venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia on Monday, 14 October 2024 at 10.00 a.m. or at any adjournment thereof.

SPECIAL RESOLUTION		**FOR**	**AGAINST**
1	**PROPOSED AAAGL DISPOSAL**		
2	**PROPOSED AAB DISPOSAL**		
3	**PROPOSED DISTRIBUTION**		

Please indicate an "X" in the space provided below on how you wish your votes to be casted. If no specific instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Signed on this ………….day of ……………….. 2024.

____
*Signature of Member(s)/Common Seal

** Manner of execution:*

(a) If you are an individual member, please sign where indicated.

(b) If you are a corporate member which has a common seal, this Form of Proxy should be executed under seal in accordance with the constitution of your corporation.

(c) If you are a corporate member which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

1. The Company will conduct the EGM entirely via Remote Participation and Voting facilities. Kindly refer to the Administrative Note for the EGM for more information.

2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires that the Chairman of the meeting to be present at the main venue of the EGM. No shareholders or proxies shall be physically present at the Broadcast Venue on the day of the EGM.

3. As the EGM will be conducted via a virtual meeting, a member who is not able to participate in the EGM may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.

4. In respect of deposited securities, only members whose names appear in the Record of Depositors on 4 October 2024 shall be eligible to attend the EGM.

5. A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his behalf. A proxy may but need not be a member of our Company and a member may appoint any person to be his proxy without limitation save that the proxy must be of full age.

6. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.

7. Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of our Company standing to the credit of the said securities account.

*8. Where a member of our Company is an exempt authorised nominee which holds ordinary shares in our Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*

9. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney.

10. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by our Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned General Meeting at which the person named in the appointment proposes to vote:

(i) <u>In hard copy form</u>

In the case of an appointment made in hard copy form, this Form of Proxy must be deposited at our Company's Registered Office at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA Selangor, Malaysia.

(ii) <u>By electronic forms</u>

In the case of an appointment made via electronic means, the Form of Proxy can be electronically lodged with TIIH Online website at https://tiih.online. Please refer to the Administrative Note for further information on submission via TIIH Online website.

11. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming EGM, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the EGM.

12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolution(s) at the EGM shall be put to vote by way of poll.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 20 September 2024.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

CAPITAL A BERHAD
(Registration No. 201701030323 (1244493-V))

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

1st fold here