

DCAS' LETTER DATED 10 SEPTEMBER 2024



10 September 2024

Capital A Berhad

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

Attention: Ms. Patra 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

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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").

DCAS' LETTER DATED 10 SEPTEMBER 2024 (CONT'D)



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.

DCAS' LETTER DATED 10 SEPTEMBER 2024 (CONT'D)

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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

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER
2023**

AIRASIA X BERHAD
200601014410 (734161-K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2023

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Contents	Page
Directors' report	1 - 6
Statements of profit or loss	7
Statements of comprehensive income	8
Statements of financial position	9 - 12
Consolidated statement of changes in equity	13 - 14
Statement of changes in equity	15 - 16
Statements of cash flows	17 - 19
Notes to the financial statements	20 - 109
Statement by Directors	110
Statutory declaration	110
Independent auditors' report	111 - 120

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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
	<u>1,550</u>

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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:

	1.1.2023	Number of ordinary shares Share consolidation (Note 35)		31.12.2023
			Disposed	
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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

Director

Kuala Lumpur, Malaysia



Dato' Abdul Mutalib Bin Alias

Director

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		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
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		<u>478,967</u>	<u>33,505,500</u>	<u>480,534</u>	<u>33,600,201</u>
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		<u>369,068</u>	<u>32,744,086</u>	<u>370,635</u>	<u>32,838,787</u>
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		<u>343,773</u>	<u>32,696,344</u>	<u>345,340</u>	<u>32,791,045</u>
Taxation					
- Current taxation	13	(1,936)	1	(1,936)	1
- Deferred taxation	13	(10,332)	612,240	(10,332)	612,240
		<u>(12,268)</u>	<u>612,241</u>	<u>(12,268)</u>	<u>612,241</u>
Profit for the financial year/ period		<u>331,505</u>	<u>33,308,585</u>	<u>333,072</u>	<u>33,403,286</u>
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.

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 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	<u>325,909</u>	<u>33,307,872</u>	<u>333,072</u>	<u>33,403,286</u>

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

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 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	-
		<u>2,434,493</u>	<u>1,932,648</u>
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
		<u>703,080</u>	<u>550,146</u>
Total assets		<u>3,137,573</u>	<u>2,482,794</u>
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
		<u>1,241,671</u>	<u>920,291</u>
Net current liabilities		<u>(538,591)</u>	<u>(370,145)</u>

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 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
		<u>1,779,727</u>	<u>1,821,732</u>
Total liabilities		<u>3,021,398</u>	<u>2,742,023</u>
Net assets/(liabilities)		<u>116,175</u>	<u>(259,229)</u>
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		<u>116,175</u>	<u>(259,229)</u>

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

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 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	-
		<u>2,434,117</u>	<u>1,932,652</u>
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
		<u>701,193</u>	<u>434,017</u>
Total assets		<u>3,135,310</u>	<u>2,366,669</u>
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
		<u>1,220,164</u>	<u>792,085</u>
Net current liabilities		<u>(518,971)</u>	<u>(358,068)</u>

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 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
		<u>1,779,727</u>	<u>1,821,732</u>
Total liabilities		<u>2,999,891</u>	<u>2,613,817</u>
Net assets/(liabilities)		<u>135,419</u>	<u>(247,148)</u>
Equity attributable to equity holders of the Company			
Share capital	35	51,029	1,534
Retained earnings/(accumulated losses)		<u>84,390</u>	<u>(248,682)</u>
Total equity		<u>135,419</u>	<u>(247,148)</u>

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<---- Attributable to equity holders of the Group ---->		Total equity RM'000
			Currency translation reserve RM'000	(Accumulated losses)/ Distributable retained earnings RM'000	
Group					
	414,815	1,534	14	(286,751)	(285,203)
	-	-	-	25,974	25,974
	414,815	1,534	14	(260,777)	(259,229)
	-	-	-	331,505	331,505
	-	-	(5,596)	-	(5,596)
	-	-	(5,596)	331,505	325,909
35	32,258	49,495	-	-	49,495
	447,073	51,029	(5,582)	70,728	116,175

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.)

	Note	Number of shares '000	Share capital RM'000	Currency	Accumulated losses RM'000 Restated	Total equity RM'000
				translation reserve 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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 ----->

			(Accumulated losses)/ Distributable	Total	
Note	Number of shares '000	Share capital RM'000	retained earnings RM'000	equity RM'000	
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
35	Issuance of ordinary shares	32,258	49,495	-	49,495
	At 31 December 2023	447,073	51,029	84,390	135,419

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

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 cash flows
For the financial year ended 31 December 2023

		Group		Company	
	Note	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
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

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 cash flows

For the financial year ended 31 December 2023 (Cont'd.)

	Note	Group		Company	
		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
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)

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 cash flows

For the financial period ended 31 December 2023 (Cont'd.)

	Note	Group		Company	
		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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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:

Amendments to MFRS 101 - Disclosure of Accounting Policies

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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
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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 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)**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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)**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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	-	-
	<u>2,527,096</u>	<u>825,860</u>	<u>2,526,653</u>	<u>825,277</u>
<u>Revenue from contracts with customers</u>				
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
	<u>2,526,653</u>	<u>798,113</u>	<u>2,526,653</u>	<u>798,113</u>
Timing of revenue recognition				
At a point of time	<u>2,526,653</u>	<u>798,113</u>	<u>2,526,653</u>	<u>798,113</u>

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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
	<u>204,071</u>	<u>106,442</u>	<u>200,121</u>	<u>104,820</u>

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
	<u>184,395</u>	<u>40,270</u>	<u>184,395</u>	<u>40,270</u>

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
8. Directors' remuneration

Details of remunerations paid to Directors are as follows:

	Group and Company Emoluments/ Other		
	Fees RM'000	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 Emoluments/ Other		
	Fees RM'000	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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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		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
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)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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)
	<u>-</u>	<u>(157,016)</u>	<u>-</u>	<u>(157,016)</u>

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
	<u>239,592</u>	<u>34,328,563</u>	<u>224,087</u>	<u>34,414,146</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	-
	<u>2,702</u>	<u>1,548</u>	<u>2,702</u>	<u>1,548</u>
Effect of discounting on financial instruments	-	5	-	5
	<u>2,702</u>	<u>1,553</u>	<u>2,702</u>	<u>1,553</u>
(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)
	<u>(97,391)</u>	<u>(754,519)</u>	<u>(97,391)</u>	<u>(754,519)</u>
Impact of discounting effect on financial instruments	(15,210)	(8,448)	(15,210)	(8,448)
	<u>(112,601)</u>	<u>(762,967)</u>	<u>(112,601)</u>	<u>(762,967)</u>
	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)
	<u>(25,295)</u>	<u>(47,742)</u>	<u>(25,295)</u>	<u>(47,742)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
12. Other loss

	Group and Company	
	2023	2022
	RM'000	RM'000
		Restated
Provision for profit sharing	-	46,000

13. Taxation

	Group		Company	
	1.1.2023	1.7.2021	1.1.2023	1.7.2021
	to	to	to	to
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	1.7.2021
	to	to
	31.12.2023	31.12.2022
	RM'000	RM'000
Other temporary differences	102,038	148,838
	<u>102,038</u>	<u>148,838</u>

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
	<u>718,256</u>	<u>843,729</u>

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	1.7.2021
	to	to
	31.12.2023	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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>1,044,312</u>
Additions	414,063
Remeasurement	3,914
Depreciation expense (Note 6)	(162,588)
Discounting effect (Note 11)	6,747
As at 31 December 2023	<u>1,306,448</u>
As at 1 July 2021	-
Additions	1,084,582
Depreciation expense (Note 6)	(40,270)
As at 31 December 2022, restated	<u>1,044,312</u>

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	<u>165,457</u>	<u>42,261</u>	<u>165,457</u>	<u>42,261</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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 recognised in profit or loss (Note 13)	(612,240)	-	(612,240)	-
At 31 December	<u>10,332</u>	<u>(612,240)</u>	<u>10,332</u>	<u>(612,240)</u>
	<u>(601,908)</u>	<u>(612,240)</u>	<u>(601,908)</u>	<u>(612,240)</u>
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
	<u>(601,908)</u>	<u>(612,240)</u>	<u>(601,908)</u>	<u>(612,240)</u>

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	Sales in advance	Total
	RM'000	RM'000	RM'000
At 1 January 2023	(692,401)	(178,443)	(870,844)
Recognised in profit or loss	<u>(68,120)</u>	<u>18,215</u>	<u>(49,905)</u>
At 31 December 2023	<u>(760,521)</u>	<u>(160,228)</u>	<u>(920,749)</u>

Deferred tax liabilities of the Group:

	Others	Total
	RM'000	RM'000
At 1 January 2023	258,604	258,604
Recognised in profit or loss	<u>60,237</u>	<u>60,237</u>
At 31 December 2023	<u>318,841</u>	<u>318,841</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>(760,521)</u>	<u>(160,228)</u>	<u>(920,749)</u>

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	<u>318,841</u>	<u>318,841</u>

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
18. Investments in subsidiaries

	Company	
	2023	2022
	RM'000	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		Principal activities
		2023 %	2022 %	
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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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		Principal activities
		2023 %	2022 %	
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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Details of the associate are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activity
		2023 %	2022 %	
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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

	TAAAX	
	2023	2022
	RM'000	RM'000
<u>Current:</u>		
Cash and cash equivalents	41,580	204,278
Other current assets	624,626	485,460
Total current assets	<u>666,206</u>	<u>689,738</u>
<u>Non-current:</u>		
Assets	<u>761,731</u>	<u>1,162,663</u>
<u>Current:</u>		
Financial liabilities	-	(542,916)
Other current liabilities	(1,203,964)	(1,943,510)
Total current liabilities	<u>(1,203,964)</u>	<u>(2,486,426)</u>
<u>Non-current:</u>		
Liabilities	<u>(805,752)</u>	<u>(1,141,210)</u>
Net liabilities	<u>(581,779)</u>	<u>(1,775,235)</u>

Summarised statement of comprehensive income

	TAAAX	
	1.1.2023	1.7.2021
	to	to
	31.12.2023	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	<u>2,093,601</u>	<u>482,078</u>
Taxation	1,107	375
Profit after tax	<u>2,094,708</u>	<u>482,453</u>
Other comprehensive loss	-	-
Total comprehensive income	<u>2,094,708</u>	<u>482,453</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	1.7.2021
	to	to
	31.12.2023	31.12.2022
	RM'000	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	<u>(581,779)</u>	<u>(1,775,235)</u>
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	<u>1,026,407</u>	<u>236,402</u>
Cumulative unrecognised share of losses as at 31 December	<u>(341,142)</u>	<u>(1,367,549)</u>

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).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The details of the joint venture are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activity
		2023	2022	
		%	%	
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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022
	RM'000	RM'000
<u>Current:</u>		
Total current assets	133,518	133,518
	<u> </u>	<u> </u>
<u>Non-current:</u>		
Assets	3,008	3,008
	<u> </u>	<u> </u>
<u>Current:</u>		
Other current liabilities, representing total current liabilities	(624,733)	(624,733)
	<u> </u>	<u> </u>
<u>Non-current:</u>		
Liabilities	7,121	7,121
Net liabilities	<u>(481,086)</u>	<u>(481,086)</u>

Summarised statement of comprehensive income

	IAAX	
	1.1.2023	1.7.2021
	to	to
	31.12.2023	31.12.2022
	RM'000	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	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>(481,086)</u>	<u>(481,086)</u>
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	<u>(282,902)</u>	<u>(282,902)</u>

21. Inventories

	Group and Company	
	31.12.2023 RM'000	31.12.2022 RM'000
At cost		
Consumables and in-flight merchandise	<u>6,968</u>	<u>9,190</u>

Cost of inventories recognised as an expense during the financial year amounted to RM16,437,745 (2022: RM4,802,402).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
22. Trade and other receivables

	Note	Group		Company	
		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
		<u>436,266</u>	<u>234,248</u>	<u>436,266</u>	<u>234,248</u>
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)	<u>37,544</u>	<u>49,149</u>	<u>37,544</u>	<u>49,149</u>
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)	<u>14,885</u>	<u>72,039</u>	<u>13,169</u>	<u>6,928</u>
Deposits		127,249	64,783	127,249	17,930
Less: Allowance for expected credit losses		(1,991)	(2,151)	(1,991)	(2,151)
	(c)	<u>125,258</u>	<u>62,632</u>	<u>125,258</u>	<u>15,779</u>
Prepayments	(d)	<u>46,923</u>	<u>46,814</u>	<u>46,896</u>	<u>42,366</u>
Other receivables, net		<u>187,066</u>	<u>181,485</u>	<u>185,323</u>	<u>65,073</u>
		<u>224,610</u>	<u>230,634</u>	<u>222,867</u>	<u>114,222</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
22. Trade and other receivables (Cont'd.)

	Note	Group		Company	
		31.12.2023 RM'000	31.12.2022 RM'000 Restated	31.12.2023 RM'000	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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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
	<u>58,032</u>	<u>(8,883)</u>	<u>49,149</u>

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	<u>(1,249)</u>	<u>(8,883)</u>
	<u>-</u>	<u>-</u>

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	<u>1,249</u>	<u>8,883</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022
	RM'000	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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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
	<u>499,179</u>	<u>405,138</u>	<u>497,463</u>	<u>293,174</u>

23. Amount due from an associate

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Non-current				
Amount due from an associate	787,801	-	-	-
Less: Allowance for expected credit losses of amount due from an associate	<u>(755,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>32,641</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current				
Amount due from an associate	-	755,518	-	-
Less: Allowance for expected credit losses of amount due from an associate	<u>-</u>	<u>(755,489)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>29</u>	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>(755,160)</u>	<u>(755,489)</u>	<u>-</u>	<u>-</u>

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 TAAAX 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	-	-
	<u>32,641</u>	<u>29</u>	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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)	-
	<u>32,261</u>	<u>-</u>
Current		
Amount due from subsidiaries	19,400	773,991
Less: Allowance for expected credit losses of amount due from subsidiaries	(18,831)	(773,991)
	<u>569</u>	<u>-</u>

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	<u>(774,819)</u>	<u>(773,991)</u>

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	<u>32,830</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
25. Amount due from related parties

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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)	-
	<u>21,935</u>	<u>-</u>	<u>21,935</u>	<u>-</u>
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)
	<u>413,615</u>	<u>131,848</u>	<u>413,478</u>	<u>132,580</u>

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
	<u>324,059</u>
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
	<u>73,801</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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 (Allowance for)/reversal of expected credit losses (Note 9)	(2,900)	(12,188)	(2,900)	(12,188)
At 31 December	<u>(3,398)</u>	<u>(2,900)</u>	<u>(3,398)</u>	<u>(2,900)</u>

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 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 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
	<u>435,550</u>	<u>131,848</u>	<u>435,413</u>	<u>132,580</u>

26. Amount due to an associate

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Current				
Amount due to an associate	<u>(4,603)</u>	<u>(3,380)</u>	<u>(4,603)</u>	<u>(3,380)</u>

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 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
US Dollar	<u>(4,603)</u>	<u>(3,380)</u>	<u>(4,603)</u>	<u>(3,380)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
27. Amount due to subsidiaries

	Company	
	31.12.2023	31.12.2022
	RM'000	RM'000
Amount due to subsidiaries	<u>(11,809)</u>	<u>(635)</u>

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	31.12.2022
	RM'000	RM'000
US Dollar	(11,596)	(331)
Others	<u>(213)</u>	<u>(304)</u>
	<u>(11,809)</u>	<u>(635)</u>

28. Amount due to related parties

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Amount due to related parties	<u>(41,401)</u>	<u>(8,469)</u>	<u>(41,401)</u>	<u>(8,469)</u>

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	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	(40,298)	(6,546)	(40,298)	(6,546)
US Dollar	(406)	(1,829)	(406)	(1,770)
Chinese Renminbi	<u>(697)</u>	<u>(94)</u>	<u>(697)</u>	<u>(153)</u>
	<u>(41,401)</u>	<u>(8,469)</u>	<u>(41,401)</u>	<u>(8,469)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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	<u>57,689</u>	<u>176,710</u>	<u>57,113</u>	<u>176,373</u>

The currency profile of deposits, cash and bank balances 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	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
	<u>57,689</u>	<u>176,710</u>	<u>57,113</u>	<u>176,373</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>1,062,482</u>	<u>-</u>	<u>-</u>	<u>1,062,482</u>
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	<u>1,062,482</u>	<u>-</u>	<u>-</u>	<u>1,062,482</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
30. Trade and other payables

	Note	Group		Company	
		31.12.2023 RM'000	31.12.2022 RM'000 Restated	31.12.2023 RM'000	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
		<u>360,232</u>	<u>429,167</u>	<u>326,916</u>	<u>300,521</u>
Total trade and other payables		<u>360,232</u>	<u>429,167</u>	<u>326,916</u>	<u>300,521</u>

(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		Company	
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	31.12.2023 RM'000	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
	<u>360,232</u>	<u>429,167</u>	<u>326,916</u>	<u>300,521</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>1,512,025</u>
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	<u>1,062,482</u>
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	<u>1,512,025</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>1,062,482</u>

32. Other provisions**(a) Provision for additional loss in the investment in IAAX**

	Group and Company	
	31.12.2023	31.12.2022
	RM'000	RM'000
Non-current		
At 1 January/1 July	223,245	-
(Reversal of)/provision for additional loss	<u>(223,245)</u>	<u>223,245</u>
At 31 December	<u>-</u>	<u>223,245</u>

Details of the provision for additional losses in the investment in IAAX is disclosed in Note 42.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022
	RM'000	RM'000
		Restated
Current	13,000	13,000
Non-current	33,000	33,000
	<u>46,000</u>	<u>46,000</u>

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	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Aircraft maintenance provision				
Current	57,747	17,869	57,747	17,674
Non-current	331,774	207,899	331,774	207,899
	<u>389,521</u>	<u>225,768</u>	<u>389,521</u>	<u>225,573</u>

The movements in the provision account 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
		Restated		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	<u>389,521</u>	<u>225,768</u>	<u>389,521</u>	<u>225,573</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
34. Sales in advance

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
35. Share capital

	Group and Company			
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	'000	'000	RM'000	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	<u>447,073</u>	<u>414,815</u>	<u>51,029</u>	<u>1,534</u>

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	31.12.2022
	RM'000	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
	<u>3,978,602</u>	<u>3,804,128</u>

The approved and contracted capital commitments for the Group and the Company are in respect of aircraft purchase.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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
<u>Subsidiaries of Capital A Berhad</u>	
- 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
<u>Associates of Capital A Berhad</u>	
- Thai AirAsia Co Ltd	Common Directors and shareholders
- PT Indonesia AirAsia	Common Directors and shareholders
- Philippines AirAsia Inc	Common Directors and shareholders
<u>Other related entities</u>	
- Ormond Lifestyle Services Sdn Bhd	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	Common Directors and shareholders

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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)	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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
	<u>468,191</u>	<u>131,877</u>	<u>468,243</u>	<u>132,580</u>
(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
	<u>46,004</u>	<u>11,849</u>	<u>57,813</u>	<u>12,484</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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
	<u>1,512</u>	<u>1,585</u>	<u>1,512</u>	<u>1,585</u>

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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:

Change in USD rate	2023		2022	
	+5% RM'000	-5% RM'000	+5% RM'000	-5% RM'000
Impact on post tax profit	<u>(50,908)</u>	<u>50,908</u>	<u>(45,186)</u>	<u>45,186</u>

The exposure to other foreign currency risk of the Group and the Company is not material and hence, sensitivity analysis is not presented.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.):

(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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	-	-	-
		<u>558,628</u>	<u>304,287</u>	<u>456,431</u>	<u>598,915</u>
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	-	-	-
		<u>498,049</u>	<u>114,066</u>	<u>171,099</u>	<u>720,284</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	-	-	-
		<u>537,121</u>	<u>304,287</u>	<u>456,431</u>	<u>598,915</u>
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	-	-	-
		<u>370,038</u>	<u>114,066</u>	<u>171,099</u>	<u>720,284</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>1,025,059</u>	<u>1,022,819</u>

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	<u>1,918,261</u>	<u>1,896,754</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>713,725</u>	<u>602,127</u>
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	<u>1,503,498</u>	<u>1,375,487</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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))	<u>37,228</u>	<u>38,138</u>	<u>37,228</u>	<u>38,138</u>

	Note	Group		Company	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
		RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances					
AAA to A-		57,338	176,177	56,762	176,177
BBB to BBB-		-	375	-	38
		<u>57,338</u>	<u>176,552</u>	<u>56,762</u>	<u>176,215</u>
Cash on hand		351	158	351	158
Total	29	<u>57,689</u>	<u>176,710</u>	<u>57,113</u>	<u>176,373</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.):

	Malaysia	Thailand	Indonesia	Elimination	Total
	RM'000	RM'000	RM'000	adjustments	RM'000
2022	Restated			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)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.):

	Malaysia	Thailand	Indonesia	Elimination	Total
	RM'000	RM'000	RM'000	adjustments	RM'000
2022 (Cont'd.)	Restated			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	<u>33,308,585</u>	<u>482,453</u>	<u>(144)</u>	<u>-</u>	<u>33,790,894</u>
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
	<u>3,137,573</u>	<u>1,427,937</u>	<u>136,526</u>	<u>-</u>	<u>4,702,036</u>
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)
	<u>(3,021,398)</u>	<u>(2,009,716)</u>	<u>(617,612)</u>	<u>-</u>	<u>(5,648,726)</u>
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
	<u>2,482,794</u>	<u>1,852,401</u>	<u>136,526</u>	<u>(420,978)</u>	<u>4,050,743</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.):

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2022 (Cont'd.)	Restated				
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)
	<u>(2,742,023)</u>	<u>(3,627,636)</u>	<u>(617,612)</u>	<u>176,124</u>	<u>(6,811,147)</u>

^ 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	<u>(1,474,053)</u>	<u>(1,006,211)</u>
	<u>2,527,096</u>	<u>825,860</u>
(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	<u>(2,093,601)</u>	<u>(481,934)</u>
	<u>343,773</u>	<u>32,696,344</u>
(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	<u>(1,564,463)</u>	<u>(1,567,949)</u>
	<u>3,137,573</u>	<u>2,482,794</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)
40. Segmental information (Cont'd.)

	2023	2022
	RM'000	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
	<u>(3,021,398)</u>	<u>(2,742,023)</u>

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
			<hr/>
Group			
Maintenance and overhaul	490,614	(18,261)	472,353
Finance income (Note 11(a))	(19,814)	18,261	(1,553)
			<hr/>
Company			
Maintenance and overhaul	490,232	(18,261)	471,971
Finance income (Note 11(a))	(19,814)	18,261	(1,553)
			<hr/>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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		<u>30,918</u>
Trade and other payables	(ii)	(18,120)
Provision for profit sharing	(iii)	(46,000)
Provision for aircraft maintenance	(i)	59,176
Total liabilities		<u>(4,944)</u>
Net impact on equity		<u><u>(25,974)</u></u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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		<u>(25,974)</u>
Attributable:		
Owners of the Company		<u>(25,974)</u>

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	<u>(2,964)</u>	<u>(2,964)</u>
Operating gain before working capital changes	23,676	23,676
Increase in trade and other receivables	95	95
Decrease in trade and other payables	<u>(23,771)</u>	<u>(23,771)</u>
Net impact on cash and cash equivalents	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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	<u>6.2</u>

The prior year adjustments did not have any impact to the opening balance of the comparative balances.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

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

Director

Kuala Lumpur, Malaysia



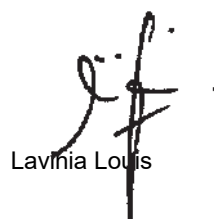
Dato' Abdul Mutalib Bin Alias

Director

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 PENINSULAR territory
on 30 April 2024.



Lavinia Louis

Before me,

Commissioner for Oath
Kuala Lumpur



B-9-11, Plaza Mont' Kiara,
No. 2, Jalan Kiara, Mont' Kiara,
Kuala Lumpur

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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;

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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;

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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.

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.

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.

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

d) Performed recalculation of the aircraft maintenance costs provision based on the key assumptions adopted by management.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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

**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.

Our response

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

**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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)

**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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF AAX FOR THE FYE 31 DECEMBER 2023 (CONT'D)



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.

A handwritten signature in black ink, appearing to be 'Ernst & Young PLT', written over a horizontal line.

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

A handwritten signature in black ink, appearing to be 'Low Khung Leong', written over a horizontal line.

Low Khung Leong
No. 02697/01/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 April 2024

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAAGL**

AIRASIA AVIATION GROUP LIMITED
LL03901
(Incorporated in Malaysia)

Accountants' Report for the years ended 31 December
2021, 31 December 2022 and 31 December 2023

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAAGL (CONT'D)**

LL03901

**AirAsia Aviation Group Limited
(Incorporated in Malaysia)**

Contents	Pages
Statement by directors	1
Independent auditors' report	2 - 5
Statements of comprehensive income	6 - 7
Statements of financial position	8 - 9
Statements of changes in equity	10 - 11
Statements of cash flows	12 - 13
Notes to the financial statements	14 - 109

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)



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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)



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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)



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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)



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

Kuala Lumpur, Malaysia
31 July 2024

Low Khung Leong
No. 02697/01/2025 J
Chartered Accountant

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
Statements of comprehensive income

		Group		Economic Entity
	Note	2023	2022	2021
		RM'000	RM'000	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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
Statements of comprehensive income (cont'd.)

	Note	Group 2023 RM'000	2022 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)	-	-
	<u>868,299</u>	<u>(302,591)</u>	<u>3,701</u>
Other comprehensive gain/(loss):			
Foreign currency translation differences	70,403	(34,587)	1,771
Total comprehensive income/(loss) for the financial year	<u>938,702</u>	<u>(337,178)</u>	<u>5,472</u>
Total comprehensive income attributable to:			
- Owners of the parent	1,207,587	(337,178)	5,472
- Non controlling interests	(268,885)	-	-
	<u>938,702</u>	<u>(337,178)</u>	<u>5,472</u>

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

**AirAsia Aviation Group Limited
(Incorporated in Malaysia)**
Statements of financial position

		Group		Economic Entity
	Note	2023	2022	2021
		RM'000	RM'000	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	-	-
		<u>11,533,749</u>	<u>368,399</u>	<u>78,672</u>
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	-	-
		<u>862,228</u>	<u>110,802</u>	<u>537,070</u>
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	-	-
		<u>9,989,272</u>	<u>677,415</u>	<u>625,952</u>
Net current liabilities		<u>(9,127,044)</u>	<u>(566,613)</u>	<u>(88,882)</u>
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	-	-
		<u>7,593,742</u>	<u>152,417</u>	<u>-</u>
		<u>(5,187,037)</u>	<u>(350,631)</u>	<u>(10,210)</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
Statements of financial position (cont'd.)

		Group		Economic
	Note	2023	2022	Entity
		RM'000	RM'000	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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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)

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
Statements of cash flows

	Note	Group 2023 RM'000	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)

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
Statements of cash flows (cont'd.)

	Note	Group 2023 RM'000	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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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)

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.)****(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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
4. Revenue

	Group	
	2023	2022
	RM'000	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
	<u>5,630,969</u>	<u>22,245</u>

Revenue by reportable geographical segment is as follows:

Thailand	3,302,025	-
Indonesia	1,238,429	-
Philippines	1,042,781	-
China	27,037	22,094
Malaysia	20,697	151
	<u>5,630,969</u>	<u>22,245</u>

Timing of revenue recognition

At a point in time	<u>5,630,969</u>	<u>22,245</u>
--------------------	------------------	---------------

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		Economic Entity
	2023	2022	2021
	RM'000	RM'000	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	-	-
	<u>674,381</u>	<u>10,954</u>	<u>23</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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		Economic
	2023	2022	Entity
	RM'000	RM'000	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	-
	<u>30,441</u>	<u>1</u>	<u>-</u>

7. Finance income/(costs) and foreign exchange gains/(losses)**(a) Finance income**

	Group		Economic
	2023	2022	Entity
	RM'000	RM'000	2021
			RM'000
Interest income from:			
- deposits	3,000	206	-
- convertible bond issued by an associate	-	6,609	6,257
	<u>3,000</u>	<u>6,815</u>	<u>6,257</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
7. Finance income/(costs) and foreign exchange gains/(losses) (cont'd.)**(b) Finance costs**

	Group		Economic
	2023	2022	Entity
	RM'000	RM'000	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	-
	<u>362,790</u>	<u>10,270</u>	<u>-</u>

(c) Foreign exchange gains/(loss)

	Group		Economic
	2023	2022	Entity
	RM'000	RM'000	2021
			RM'000
Realised	33,113	554	3,348
Unrealised	116,970	4,602	(4,950)
	<u>150,083</u>	<u>5,156</u>	<u>(1,602)</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
8. Taxation

	Group		Economic
	2023	2022	Entity
	RM'000	RM'000	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		Economic
	2023	2022	Entity
	RM'000	RM'000	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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
9. Investment in associates

	Group		Economic
	2023	2022	Entity
	RM'000	RM'000	2021
			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)
	-	<u>367,324</u>	<u>-</u>
Share of fair value of quoted investment in associates	-	<u>2,039,442</u>	<u>283,906</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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			Principal activities
		2023 %	2022 %	2021 %	
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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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)
	<u>1,069,645</u>	<u>1,425,122</u>

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	<u>(479,953)</u>	<u>(649,239)</u>

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	<u>-</u>	<u>-</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	2021
	RM'000	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	<u>(4,717,249)</u>	<u>(4,291,972)</u>

Summarised statements of comprehensive income

	AirAsia Inc.	
	2022	2021
	RM'000	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	<u>(765,712)</u>	<u>(610,656)</u>

Reconciliations of summarised financial information:

	AirAsia Inc.	
	2022	2021
	RM'000	RM'000
Net assets	-	-
Interest in associate	<u>40%</u>	<u>40%</u>
Group's share of net assets, representing carrying value of interest in associate	<u>-</u>	<u>-</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	2021
	RM'000	RM'000
Non-current assets	7,585,963	-
Current assets	668,177	-
Non-current liabilities	(4,445,470)	-
Current liabilities	(2,793,656)	-
	<u>7,515,024</u>	<u>-</u>

Summarised statements of comprehensive income

	AAV Consolidated	
	2022	2021
	RM'000	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	2021
	RM'000	RM'000
Net assets	1,015,014	-
Goodwill	(160,771)	-
	<u>854,243</u>	<u>-</u>
Interest in associate	43%	-
Group's share of net assets, representing carrying value of interest in associate	<u>367,324</u>	<u>-</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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 RM'000	2021 RM'000
Non-current assets	-	5,311,826
Current assets	-	377,449
Non-current liabilities	-	(4,561,557)
Current liabilities	-	(2,497,262)
	<u>-</u>	<u>(2,497,262)</u>

Summarised statements of comprehensive income

	TAA	
	2022 RM'000	2021 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)
	<u>-</u>	<u>(1,507,458)</u>

Reconciliations of summarised financial information:

	TAA	
	2022 RM'000	2021 RM'000
Net assets	-	-
Interest in associate	-	45%
Group's share of net assets, representing carrying value of interest in associate	<u>-</u>	<u>-</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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
	<u>1,750,883</u>	<u>(928,299)</u>	<u>(3,739)</u>	<u>818,845</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	1 January 2022 RM'000	Acquisition of Additions 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
					Accumulated Cost Depreciation RM'000	Carrying amount RM'000	
At 31 December 2022							
Office equipment, furniture and fittings					839	(588)	251

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>600,817</u>

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	<u>67,311</u>

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	<u>2,430,840</u>	<u>2,094,581</u>	<u>4,525,421</u>
Accumulated impairment			
At 1 January 2023	-	-	-
Impairment loss (Note 6)	-	(160,893)	(160,893)
	<u>-</u>	<u>(160,893)</u>	<u>(160,893)</u>
Net carrying amount			
At 31 December 2023	<u>2,430,840</u>	<u>1,933,688</u>	<u>4,364,528</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>1</u>	<u>1</u>
Accumulated depreciation		
At 1 January 2022	-	-
Charge for the year	1	1
At 31 December 2022	<u>1</u>	<u>1</u>
Net carrying amount		
At 31 December 2022	<u>-</u>	<u>-</u>

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:

As at 31 December 2023 CGU	Landing rights RM'000	Goodwill RM'000
IAA/AAID	374,600	38,395
PAA/AA Inc.	69,300	-
TAA/AAV	1,986,940	1,895,293
	<u>2,430,840</u>	<u>1,933,688</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>(402,561)</u>
Gain on remeasurement of previously held interest	<u>1,547,872</u>

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	<u>6,499,500</u>	<u>7,670,600</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>(96,767)</u>
Goodwill on acquisition	<u>2,047,200</u>
Deemed consideration paid by the Group	<u>1,950,433</u>

	AAV RM'000
Analysis of cash flows on acquisition	
Cost of acquisition	-
Less: Cash and cash equivalents of subsidiary acquired	<u>(228,400)</u>
Net cash inflow on deemed acquisition of a subsidiary	<u>(228,400)</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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
	<u>2,821,861</u>
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
	<u>542,022</u>
Total assets (A)	<u>3,363,883</u>
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
	<u>2,787,599</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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
	<u>6,352,481</u>
Total liabilities (B)	<u>9,140,080</u>
Net liabilities (C) = (A) - (B)	<u>(5,776,197)</u>

Consequently, a merger deficit of RM915,501,000 has been recorded as a result of the internal reorganisation.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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		Principal activities
		2023 %	2022 %	
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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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		Principal activities
		2023 %	2022 %	
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 Inc ^f	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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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		<u>(1,769)</u>
		<u>(4,050,542)</u>
Loss allocated to material non-controlling interests:		
AAID		(163,039)
PAA		(120,224)
AAV		16,147
Other individually immaterial subsidiaries		<u>(1,769)</u>
		<u>(268,885)</u>
Total comprehensive loss allocated to material non-controlling interests:		
AAID		(163,039)
PAA		(120,224)
AAV		16,147
Other individually immaterial subsidiaries		<u>(1,769)</u>
		<u>(268,885)</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	PAA	AAV	Total
	RM'000	RM'000	RM'000	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	PAA	AAV	Total
	RM'000	RM'000	RM'000	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	PAA	AAV	Total
	RM'000	RM'000	RM'000	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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

14. Investment securities

	Group		Economic Entity
	2023	2022	2021
	RM'000	RM'000	RM'000
<u>Unlisted equity securities</u>			
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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>122,042</u>

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	<u>3,870</u>	<u>822</u>

(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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Cash and bank balances	205,340	10,715	166

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAAGL (CONT'D)**

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	<u>157,879</u>

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	<u>(110,346)</u>
	<u>157,879</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>488,424</u>	<u>14,109</u>	<u>72,412</u>	<u>574,945</u>

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	<u>(6,564)</u>	<u>(410,502)</u>	<u>(417,066)</u>

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
	<u>3,785,404</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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
	<u>2,840,344</u>

19. Trade and other payables and sales in advance**(a) Trade and other payables**

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Non-current:			
Other payables	<u>21,372</u>	<u>-</u>	<u>-</u>
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	-	-
	<u>5,500,890</u>	<u>658,456</u>	<u>625,952</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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
	<u>632,590</u>
Disclosed as	
Non-current	230,154
Current	402,436
	<u>632,590</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>632,590</u>

- (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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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 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	<u>5,382,264</u>	<u>15,741</u>	<u>5,398,005</u>
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	<u>-</u>	<u>824</u>	<u>824</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>8,319,187</u>	<u>828</u>
Current	2,135,895	264
Non-current	<u>6,183,292</u>	<u>564</u>
	<u>8,319,187</u>	<u>828</u>

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	<u>747,223</u>	<u>77</u>

The Group had total cash outflows for leases of RM1,214 million (2022: RM0.083 million).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>920,108</u>	<u>170,548</u>

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	<u>920,108</u>	<u>170,548</u>

	Group	
	2023	2022
	%	%
Weighted average interest rate		
Term loans	<u>5.36</u>	<u>9.16</u>

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAAGL (CONT'D)**

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
22. Borrowings (cont'd.)

The borrowings are repayable as follows:

	Group	
	2023	2022
	RM'000	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
	<u>920,108</u>	<u>170,548</u>

Total borrowings as at reporting date consist of the following:

	Group	
	2023	2022
	RM'000	RM'000
Fixed rate borrowings	302,287	-
Floating rate borrowings	617,821	170,548
	<u>920,108</u>	<u>170,548</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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		Interest rate %	Term of interest payment	Book value	
				Baht	MYR			Baht	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								<u>4,100,402</u>	<u>549,837</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
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	<u>(611)</u>
Total current portion of long-term debentures - net	<u>190,800</u>
Long-term debentures - net of current portion	362,596
Less: deferred front-end fee	<u>(3,559)</u>
Total non-current portion of long-term debentures - net	<u>359,037</u>
Total long-term debentures	<u>549,837</u>

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	<u>(252,459)</u>
Amortisation of front-end fee	<u>(534)</u>
At 31 December 2023	<u>549,837</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>199,534</u>

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	<u>5,863</u>
Defined benefit obligation at 31 December	<u><u>199,534</u></u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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
2023			
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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	<u>1,097,509</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

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	<u>(21,571)</u>	<u>25</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	Economic Entity	
	2023	2022	2021
	RM	RM	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)	-

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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)	-	-

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	-	-

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)
34. Financial instruments

31 December	Group	Economic
	2023	Entity
	RM'000	2021
		RM'000
<u>Financial assets at FVOCI</u>		
Investment securities (Note 14)	5,770	- 78,672
<u>Financial assets at amortised costs</u>		
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	<u>328,921</u>	<u>109,444 40,363</u>
<u>Financial liabilities at FVTPL</u>		
Derivative financial instruments	467	- -
<u>Financial liabilities at amortised costs</u>		
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	<u>3,377,000</u>	<u>828,225 618,032</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	Group	Economic
	2023	2022	Entity
	RM'000	RM'000	2021
			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	Group	Economic
	2023	2022	Entity
	RM'000	RM'000	2021
			RM'000
+ 100 basis points	9,201	1,705	-
- 100 basis points	(9,201)	(1,705)	-

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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 from 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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

	Less than 1 year RM'000	1-2 years RM'000	2-3 years RM'000
At 31 December 2023			
<u>Undiscounted cashflows</u>			
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	-	-
	<u>8,555,971</u>	<u>5,392,155</u>	<u>2,695,348</u>
	Less than 1 year RM'000	1-2 years RM'000	2-3 years RM'000
At 31 December 2022			
<u>Undiscounted cashflows</u>			
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	-	-
	<u>677,415</u>	<u>152,158</u>	<u>259</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.)

At 31 December 2021	Less than 1 year RM'000
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
	<u>625,952</u>

(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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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
	2023	2022	Entity
	RM'000	RM'000	2021
			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	<u>9,444,635</u>	<u>182,091</u>	<u>166</u>
Total equity	<u>(5,187,037)</u>	<u>(350,631)</u>	<u>(10,210)</u>
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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	170,548	-	828	-
<u>Cashflows</u>				
Drawdown	100,291	162,357	-	-
Repayments	(183,499)	-	(957,182)	(83)
<u>Non cashflows</u>				
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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAAGL (CONT'D)

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.

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAAGL (CONT'D)**

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.

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAB**

AIRASIA BERHAD
199301029930 (284669-W)
(Incorporated in Malaysia)

Accountants' Report for the years ended 31 December
2023, 31 December 2022 and 31 December 2021

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAB (CONT'D)**

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

Contents	Pages
Statement by directors	1
Independent auditor's report	2 - 5
Consolidated statements of profit and loss	6
Consolidated statements of comprehensive income	7
Consolidated statements of financial position	8 - 9
Consolidated statements of changes in equity	10 - 11
Consolidated statements of cash flows	12 - 15
Notes to the financial statements	16 - 104

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)


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 6 to 104 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 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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)



**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)



**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)



**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.

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAB (CONT'D)**



**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

Kuala Lumpur, Malaysia
31 July 2024

Low Khung Leong
No. 02697/01/2025 J
Chartered Accountant

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

Consolidated Statements of comprehensive income
For the financial year ended 31 December 2021, 2022 and 2023

	Note	2023 RM'000	Group 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)				
<i>Items that may be subsequently reclassified to profit or loss</i>				
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		<u>15,314</u>	<u>32,254</u>	<u>(48,089)</u>
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Net movement on investment securities	12	<u>74,195</u>	<u>(4,568)</u>	<u>(5,708)</u>
Net other comprehensive profit/(loss) that may not be reclassified to profit or loss in subsequent periods		<u>74,195</u>	<u>(4,568)</u>	<u>(5,708)</u>
Other comprehensive income/(loss) for the financial year, net of tax		<u>89,509</u>	<u>27,686</u>	<u>(53,797)</u>
Total comprehensive income/(loss) for the financial year		<u><u>3,710,377</u></u>	<u><u>(1,754,645)</u></u>	<u><u>(2,527,563)</u></u>

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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
		<u>16,179,920</u>	<u>15,524,749</u>	<u>14,992,582</u>
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
		<u>8,767,222</u>	<u>2,761,541</u>	<u>2,781,578</u>
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
		<u>8,164,799</u>	<u>6,703,812</u>	<u>6,493,404</u>
Net current asset/(liabilities)		<u>602,423</u>	<u>(3,942,271)</u>	<u>(3,711,826)</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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
		<u>18,287,037</u>	<u>16,791,133</u>	<u>14,740,995</u>
		<u>(1,504,694)</u>	<u>(5,208,655)</u>	<u>(3,460,239)</u>
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		<u>(4,037,672)</u>	<u>(7,658,540)</u>	<u>(5,876,209)</u>
		<u>(1,504,694)</u>	<u>(5,208,655)</u>	<u>(3,460,239)</u>

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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 ----->					Distributable Retained earnings/ Non-distributable accumulated loss	Total
	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)	RM'000	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)

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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 ----->					Distributable Retained earnings/ Non-distributable accumulated loss RM'000	Total RM'000
	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)		
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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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			
- finance lease receivables	22	116,379	-	13,264
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)

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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)
		<u>1,390,390</u>	<u>536,197</u>	<u>(498,083)</u>
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		<u>376,327</u>	<u>514,081</u>	<u>110,774</u>
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		<u>194,382</u>	<u>340,858</u>	<u>37,619</u>
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		<u>8,478</u>	<u>(28,524)</u>	<u>224,240</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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		<u>(1,788,346)</u>	<u>(1,256,577)</u>	<u>(426,984)</u>
Net cash used in financing activities		<u>(1,150,208)</u>	<u>(673,779)</u>	<u>(370,743)</u>
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		<u>187,262</u>	<u>419,585</u>	<u>178,624</u>
Cash and cash equivalents at end of the financial year		<u>130,110</u>	<u>187,262</u>	<u>419,585</u>

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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").

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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)

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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 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)

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.)****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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

**REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF AAB (CONT'D)**

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

4. Revenue and other income

(a) Revenue

	2023	2022	2021
	RM'000	RM'000	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
	<u>6,420,374</u>	<u>3,784,775</u>	<u>691,358</u>

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	2022	2021
	RM'000	RM'000	RM'000
Malaysia	6,420,374	3,784,775	678,215
Others	-	-	13,143
	<u>6,420,374</u>	<u>3,784,775</u>	<u>691,358</u>

Timing of revenue recognition			
At a point in time	<u>6,420,374</u>	<u>3,784,775</u>	<u>691,358</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

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

(b) Other income

	2023	2022	2021
	RM'000	RM'000	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
	<u>5,098,083</u>	<u>554,901</u>	<u>405,079</u>

"Others" income includes commission income and advertising income.

Airline operating lease income

The operating lease income are from the following lessees:

	2023	2022	2021
	RM'000	RM'000	RM'000
<u>Related companies:</u>			
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
<u>Others:</u>			
Third-parties	-	28,022	26,528
	<u>179,361</u>	<u>304,819</u>	<u>247,934</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

5. Staff costs and directors' remuneration**(a) Staff costs**

	2023	2022	2021
	RM'000	RM'000	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
	<u>631,778</u>	<u>374,959</u>	<u>298,514</u>

(b) Directors' remuneration

	2023	2022	2021
	RM'000	RM'000	RM'000
Non-Executive Directors - fees	-	-	17
	<u>-</u>	<u>-</u>	<u>17</u>

6. Other operating expenses net of reversals

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

	2023	2022	2021
	RM'000	RM'000	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
	<u>14,029</u>	<u>8,464</u>	<u>14,530</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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
	<u>278,118</u>	<u>105,739</u>	<u>90,803</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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)
	<u>(885,513)</u>	<u>(846,382)</u>	<u>(649,468)</u>

* 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	2022	2021
	RM'000	RM'000	RM'000
Realised	(170,746)	(79,365)	(7,453)
Unrealised	(284,830)	(655,941)	(345,066)
	<u>(455,576)</u>	<u>(735,306)</u>	<u>(352,519)</u>

(d) Net fair value gains on derivatives

	2023	2022	2021
	RM'000	RM'000	RM'000
Fair value gains from interest rate hedging contracts	-	-	32,033
Net gain on termination hedging contracts	-	45,021	-
	<u>-</u>	<u>45,021</u>	<u>32,033</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

9. Taxation

	2023	2022	2021
	RM'000	RM'000	RM'000
Current taxation			
- Malaysian tax	80	20	1,225
- foreign tax	5,990	3,316	2,464
Deferred taxation (Note 13)	-	-	(2,699)
	<u>6,070</u>	<u>3,336</u>	<u>990</u>
Current taxation			
- current financial year	6,050	3,316	2,877
- underprovision of income tax in respect of previous years	20	20	812
	<u>6,070</u>	<u>3,336</u>	<u>3,689</u>
Deferred taxation			
- origination and reversal of temporary differences	-	-	(2,726)
- under provision of deferred tax in respect of previous years	-	-	27
	<u>-</u>	<u>-</u>	<u>(2,699)</u>
	<u>6,070</u>	<u>3,336</u>	<u>990</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	RM'000
Profit/(loss) before taxation	<u>3,626,938</u>	<u>(1,778,995)</u>	<u>(2,472,776)</u>
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
	<u>6,070</u>	<u>3,336</u>	<u>990</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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
	<u>707,197</u>	<u>(444,153)</u>	<u>263,044</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

10. Property, plant and equipment (cont'd.)

	At 1 January		Reclassi- fication		Depreciation charge	Reversal of Impairment	Exchange differences	At 31 December 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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
	<u>850,061</u>	<u>(533,463)</u>	<u>(5,807)</u>	<u>310,791</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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
	<u>838,676</u>	<u>(494,710)</u>	<u>(12,763)</u>	<u>331,203</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

11. Investment in associates

	2023	2022	2021
	RM'000	RM'000	RM'000
Unquoted investments, at cost	64,640	48,803	48,803
Total share of post-acquisition loss	371,131	385,714	405,679
	<u>435,771</u>	<u>434,517</u>	<u>454,482</u>

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			Country of incorporation	Principal activities
	2023	2022	2021		
	%	%	%		
Held by AAB					
AirAsia Philippines Inc'	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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

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

	2023	GTRH 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	<u>805,630</u>	<u>834,796</u>	<u>874,726</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

11. Investment in associates (cont'd.)
Summarised statements of comprehensive income

	2023	GTRH 2022	2021
	RM'000	RM'000	RM'000
Net loss for the financial year, representing total comprehensive loss	<u>(29,166)</u>	<u>(39,930)</u>	<u>(88,260)</u>

Reconciliations of summarised financial information:

	2023	GTRH 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	<u>402,815</u>	<u>417,398</u>	<u>437,363</u>
Carrying value at 31 December	<u>402,815</u>	<u>417,398</u>	<u>437,363</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

12. Investment securities

	2023	2022	2021
	RM'000	RM'000	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	<u>106,725</u>	<u>32,530</u>	<u>37,098</u>
Unlisted equity securities			
At 1 January	122	122	-
Addition during the year	-	-	122
At 31 December	<u>122</u>	<u>122</u>	<u>122</u>
Total	<u>106,847</u>	<u>32,652</u>	<u>37,220</u>

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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	<u>734,085</u>	<u>734,085</u>	<u>738,235</u>

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

	2023	2022	2021
	RM'000	RM'000	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	<u>734,085</u>	<u>734,085</u>	<u>738,235</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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
	<u>754,151</u>	<u>639,584</u>	<u>802,826</u>
Offsetting	(20,066)	94,501	(64,591)
Deferred tax assets (after offsetting)	<u>734,085</u>	<u>734,085</u>	<u>738,235</u>
Deferred tax liabilities (before offsetting)			
Property, plant and equipment	(20,066)	(22,250)	(23,961)
Payables	-	116,751	(40,630)
	<u>(20,066)</u>	<u>94,501</u>	<u>(64,591)</u>
Offsetting	20,066	(94,501)	64,591
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax has not been recognised for the following items:

	2023	2022	2021
	RM'000	RM'000	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
	<u>9,233,269</u>	<u>8,988,927</u>	<u>7,909,283</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	-	-
	<u>2,120,448</u>	<u>1,347,602</u>	<u>1,347,602</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

14. Receivables and prepayments

		2023	2022	2021
		RM'000	RM'000	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
		<u>4,251,620</u>	<u>3,867,623</u>	<u>3,907,188</u>
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
		<u>7,742,449</u>	<u>2,155,340</u>	<u>1,795,126</u>

(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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	<u>720,787</u>	<u>675,307</u>	<u>967,889</u>

The ageing analysis of trade receivables is as follows:

	2023	2022	2021
	RM'000	RM'000	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
	<u>11,434</u>	<u>53,341</u>	<u>10,512</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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 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	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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:

	2023	Group	2021
	RM'000	2022	RM'000
		RM'000	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
	<u>168,491</u>	<u>198,463</u>	<u>427,974</u>

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	<u>2.88</u>	<u>1.97</u>	<u>1.71</u>

19. Trade and other payables and sales in advance
(a) Trade and other payables

	2023	2022	2021
	RM'000	RM'000	RM'000
Non-current:			
Other payables	<u>802,108</u>	<u>821,539</u>	<u>394,515</u>
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
	<u>2,870,184</u>	<u>1,618,040</u>	<u>1,766,504</u>
Total trade and other payables	<u>3,672,292</u>	<u>2,439,579</u>	<u>2,161,019</u>

The current other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	2022	2021
	RM'000	RM'000	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
	<u>5,684,688</u>	<u>5,494,326</u>	<u>5,442,744</u>
Disclosed as			
Non-current	4,808,533	4,518,073	4,427,352
Current	876,155	976,253	1,015,392
	<u>5,684,688</u>	<u>5,494,326</u>	<u>5,442,744</u>

- (i) Aircraft maintenance provisions relate to aircraft held under operating lease arrangements whereby, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	<u>3,949,299</u>	<u>3,938,433</u>	<u>3,874,241</u>

- (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	2022	2021
		RM'000	RM'000	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
		<u>147,024</u>	<u>76,701</u>	<u>443,370</u>
Non-current				
Term loans	(i)	1,538,559	1,017,194	510,128
Other facility	(iv)	494,239	447,789	-
		<u>2,032,798</u>	<u>1,464,983</u>	<u>510,128</u>
Total borrowings		<u>2,179,822</u>	<u>1,541,684</u>	<u>953,498</u>

- (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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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 propriety, 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
	<u>2,179,822</u>	<u>1,541,684</u>	<u>953,498</u>

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
	<u>2,179,822</u>	<u>1,541,684</u>	<u>953,498</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	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	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	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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	<u>6,745,416</u>	<u>23,131</u>	<u>6,768,547</u>
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	<u>7,760,862</u>	<u>33,683</u>	<u>7,794,545</u>
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	<u>8,144,325</u>	<u>45,271</u>	<u>8,189,596</u>

(a) Termination during the financial year is mainly due to 6 aircrafts being novated to related companies.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	<u>14,103,470</u>	<u>13,207,438</u>	<u>12,095,940</u>
Current	3,459,872	3,220,900	2,719,725
Non-current	<u>10,643,598</u>	<u>9,986,538</u>	<u>9,376,215</u>
	<u>14,103,470</u>	<u>13,207,438</u>	<u>12,095,940</u>

The maturity analysis of lease liabilities are disclosed in Note 29(c).

The following are the amounts recognised in profit or loss:

	2023	2022	2021
	RM'000	RM'000	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	<u>(87,185)</u>	<u>316,987</u>	<u>(210,813)</u>
Total amount recognised in profit or loss	<u>1,609,806</u>	<u>1,553,319</u>	<u>1,573,330</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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 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	2022	2021
	RM'000	RM'000	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	<u>3,783,046</u>	<u>2,171,771</u>	<u>1,269,587</u>
Current	780,452	397,269	545,418
Non-current	3,002,594	1,774,502	724,169
	<u>3,783,046</u>	<u>2,171,771</u>	<u>1,269,587</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	RM'000
Finance lease			
- Finance income on the finance lease receivables	225,057	53,849	45,230
	<hr/>	<hr/>	<hr/>
Operating lease			
- Aircraft operating lease income	179,361	304,819	247,934
	<hr/>	<hr/>	<hr/>

23. Share capital and capital contribution**23.1 Share capital**

	2023	Group	2021
	RM'000	2022	RM'000
		RM'000	RM'000
Ordinary shares			
Issued and fully paid up:			
As at 1 January/31 December	2,515,673	2,515,673	2,515,673
	<hr/>	<hr/>	<hr/>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	2022	2021
	'000	'000	'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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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	-	-

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

27. Significant related companies and related parties transactions (cont'd.)

	2023	2022	2021
	RM'000	RM'000	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
	<u>28,319</u>	<u>15,429</u>	<u>1,230</u>
(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)	-	-
	<u>(22,593)</u>	<u>-</u>	<u>-</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

27. Significant related companies and related parties transactions (cont'd.)

	2023	2022	2021
	RM'000	RM'000	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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	<u>32,785</u>	<u>15,210,457</u>	<u>15,243,242</u>
	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	<u>4,855,848</u>	<u>32,652</u>	<u>4,888,500</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	<u>17,188,701</u>	<u>17,188,701</u>

	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	<u>11,162,776</u>	<u>106,847</u>	<u>11,269,623</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	<u>19,955,584</u>	<u>19,955,584</u>

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.)

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).

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
		RM'000	RM'000	RM'000
Impact on post tax profits				
	+60bps	10,871	7,811	3,023
	-60bps	<u>(10,871)</u>	<u>(7,811)</u>	<u>(3,023)</u>

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	2022	2021
	RM'000	RM'000	RM'000
Later than 5 years: Interest rate swaps	<u>-</u>	<u>-</u>	<u>688,280</u>

(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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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
	<u>5,403,421</u>	<u>2,058,781</u>	<u>4,719,397</u>	<u>5,471,660</u>
Net-settled derivatives				
Trading	-	-	-	32,785
	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,785</u>
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
	<u>4,966,136</u>	<u>3,607,183</u>	<u>5,578,374</u>	<u>5,733,684</u>

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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
	<u>6,442,994</u>	<u>4,316,840</u>	<u>7,018,292</u>	<u>5,495,034</u>

(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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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	2022	2021
	RM'000	RM'000	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)	<u>(168,491)</u>	<u>(198,463)</u>	<u>(427,974)</u>
Net debts	<u>16,114,801</u>	<u>14,550,659</u>	<u>12,621,464</u>
Total equity	<u>(1,504,694)</u>	<u>(5,208,655)</u>	<u>(3,460,239)</u>
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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)**

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

**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.

REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AAB (CONT'D)

199301029930 (284669-W)
AirAsia Berhad
(Incorporated in Malaysia)

34. Reconciliation of liabilities arising from financing activities

	Cashflows			Non-cash movement			At 31.12.2023 RM'000
	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	
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.

ADDITIONAL INFORMATION (CONT'D)

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.

ADDITIONAL INFORMATION (CONT'D)

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	<u>107,089.42</u>

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.

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ADDITIONAL INFORMATION (CONT'D)**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.

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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 thisday 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) 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), 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

