- Lower-than-average salary and benefits costs. New and fast-growing LCCs will have a high share of new employees, while long-standing carriers will have a high share of senior employees and associated salaries and benefits. Additionally, LCCs have shown higher productivity rates and therefore lower employee cost structures overall..

- Low cost ticket distribution methods. A reliance on internal reservations systems, electronic tickets, and the Internet, instead of privately owned reservations systems, paper tickets and travel agents or city ticket offices, significantly lowers LCC ticket sales costs.

2.3 LCC Development in Southeast Asia

The development of the LCC model in Asia first started in Southeast Asia. As a result of the liberalized aviation policies, LCC operators began to develop, with LCC bases being established in other Southeast Asia countries, such as Indonesia, Singapore, and Thailand.

2.4 The Long-Haul LCC Model

In recent years, the LCC model has started to find traction in the long-haul market with the launch of several long-haul, low cost carriers (long-haul LCC). The low cost model can be challenging to apply to the long-haul market, but recently carriers have found ways to overcome many of the challenges. Long-haul flying is generally considered flights over four hours and typically involves an international flight and a wide-body aircraft. The long-haul market has several operating characteristics that are different than short-haul flying and contribute to the challenges of operating in that market with a low cost model. Some of these challenges are outlined below:

2.4.1 *Transfer Feed*

Typically, long-haul routes depend on transfer feeds to/from other flights, typically through the use of a hub and spoke operation. For example, Malaysia Airlines operates a hub-and-spoke operation. Flights from various origins (ie, spokes) converge at the carrier's hub, KLIA, where passengers transfer to flights bound to various destinations (ie, spokes). Recently launched long-haul LCCs have succeeded in part due to their affiliations with parent companies and partners that provide such a feed.

2.4.2 *Supply/Demand Balance*

Many long-haul routes between major capitals are dominated by full-service carriers serving business and other travellers who may be less sensitive to price. However, there are many long-haul niche markets where price sensitivity can result in strong demand with the entrance of a low cost carrier.

2.4.3 *Cost/Revenue Balance*

Technological changes in entertainment software and hardware result in many customers on airplanes carrying their music, movies, and other entertainment options on phones or other similar devices. As a result, long-haul LCCs have been able to attract customers with lower fares, while charging for ancillary services such as food and entertainment. Long-haul LCCs have achieved implementation and growth in ancillary revenue above and beyond basic ticketing revenue to achieve profitable yields despite lower fares.

2.4.4 *Sales and Marketing Costs*

Airline spending on these activities typically comprise approximately 3%~5% of operating revenues.

2.4.5 *Airport and Ground Handling Costs*

High-density seating configurations and strong load factors (the share of available seats occupied by passengers) enable LCCs to spread fixed costs, such as certain airport and ground handling costs, across a greater number of passengers. In addition, LCCs and other carriers often benefit from short-term airport incentive programs as well as often operating from no-frills airport facilities that offer low terminal building charges to carriers.

2.4.6 *Capital*

Airline operations have high fixed costs and highly fluctuating revenues and costs. Due to pressures to keep fares low, airlines must have sufficient working capital and capital backing to be successful. Long-haul LCCs that have entered and have made plans to enter the market recently are tied to successful airlines that have shown their ability to achieve sustained profitability and raise capital from investors.

2.4.7 *Competition*

Competition from full-service carriers on the long-haul routes has been a challenge to overcome. However, significant liberalization of the airline industry, particularly in ASEAN nations, has led to the ability of LCCs to enter long-haul routes more selectively, with a stronger position relative to established carriers.

2.5 Long-Haul LCC Operations

Although several airlines such as Ryanair in Europe have been rumoured to have plans for long-haul service, only four airlines are currently operating, or have announced firm plans to operate, true low cost, long-haul operations.

Long-haul services on wide-body aircraft to/from destinations in Southeast Asia are operated by the following carriers[13]:

- AirAsia X, which operates wide-body Airbus A330-300 aircraft between Kuala Lumpur and destinations in Australia, China, Japan, Nepal, Saudi Arabia, South Korea, and Taiwan.

[13] During the week of 4~10 March 2013. Source: The S-A-P Group, based on analysis of OAG data, March 2013.

- Jetstar Airways, which operates wide-body Airbus A330-200 aircraft to destinations in Australia, China, Indonesia, Japan, New Zealand, Singapore, Thailand, and the United States.
- Scoot, which currently operates Boeing B777-200 aircraft between Singapore and destinations in Australia, China, Japan, Taiwan, Thailand, and, with effect from June 2013, South Korea.
- Cebu Pacific, which plans to begin offering long-haul LCC services on October 7th 2013 with flights to Dubai using Airbus A330-300 aircraft.

All four of these airlines are based in Asia and each currently employ or plan to employ wide-body aircraft for their operations.

LONG-HAUL LCC OPERATIONS
Key Characteristics

	Long-Haul Low-Cost Carriers			
	Jetstar (long-haul operations)	AirAsia X	Scoot	Cebu Pacific (planned)
Start of operations	2006	2007	2012	2013 (planned)
Primary shareholder(s)	Qantas Airways	Aero Ventures Sdn Bhd and AirAsia Berhad	Singapore Airlines	JG Summit Holdings
Aircraft types	Airbus A330-200 Boeing B787 (ordered)	Airbus A330-300 Airbus A340-300 Airbus A350-900 (ordered)	Boeing B777-200 Boeing 787 (ordered)	Airbus A330-300 (ordered)
Current fleet size	11 aircraft	13 aircraft (a)	4 aircraft	none
Seats per aircraft	303~310 seats	327~377 seats	402 seats	436 seats (planned)
Seats in fleet (estimated)	3,380 (current)	4,801 (current) (a)	1,608 (current)	872 (b) (planned for 2013)
Fleet orders/ planned deliveries	14 aircraft	32 aircraft (a)	21 aircraft	8 aircraft (b) (planned)
Main base of operations	Australia	Malaysia	Singapore	Philippines (planned)
Route focus (current)	Australia, China, Indonesia, Japan, New Zealand, Singapore, Thailand, and the US	Australia, China, Japan, Nepal, Saudi Arabia, South Korea, and Taiwan	Australia, China, Japan, Taiwan, and Thailand	Australia, Middle East and possibly the US and Europe (planned)

Source: Various sources, including airline websites.
(a) As of the date of the report. Seats in fleet assume 377 seats on all A330 aircraft, including ones that are delivered in April and May 2013.
(b) Operation of two aircraft—providing combined capacity of 872 seats—are planned for 2013. A total of eight aircraft—for a projected total of 3,488 seats—are planned to be in operation by 2016.

2.6 Long-Haul LCC Market Potential

Based on the rapid growth in the market for short-haul LCCs in Asia and other regions, the potential size of the long-haul LCC market could allow for significant growth

According to Airbus, long-haul markets (full-service carrier and LCC) are growing faster than short-haul markets, with a CAGR of 3.4% from 2000 to 2010 for long-haul RPK compared to a CAGR of 2.5% during the same period for short-haul RPK.[14] 90% of long-haul traffic includes one of 39 mega-cities (defined by Airbus as cities with over 10,000 daily long-haul passengers in 2010).[15] The number of long-haul trunk routes is expected to triple over the two decades.[16]

As a result, hundreds of secondary city-pairs that have demand for origin-destination services are instead served by connections through another city's hub airport. This situation points to significant long-term potential demand for increased long-haul service as demand between these secondary cities grows and as socio-economic changes will enable more people in these secondary cities to fly.

S-A-P projects that the long-haul LCC market will continue to grow. Europe's Ryanair made plans in the past to initiate long-haul services but has put those plans on hold until the carrier believes it can be done profitably and preferably using Airbus A350 or Boeing B787 aircraft.[17] Virgin Australia has operated low-cost international operations in the past but has since moved to a hybrid/full-service model that offers more amenities to passengers, but that also generates increased operating costs.

LCC operations have grown in most short-haul markets. Airbus Industries projects that LCC traffic will represent 20% of total global traffic by 2031[18], with domestic ASEAN traffic potentially having over 60% of the short haul market comprised of LCC traffic.[19] According to Airbus, the higher relative share of domestic traffic in the Asia-Pacific LCC market in 2011 contrasts with the relative predominance of intra-regional traffic in the European LCC market and suggests that if Europe can be the benchmark of a liberalised LCC market, there is large potential for increasing intra-regional integration in Asia-Pacific.[20]

[14] Airbus Global Market Forecast 2011, p.23
[15] Airbus Global Market Forecast 2011, p.24
[16] Airbus Global Market Forecast 2012, p.40
[17] Irish Examiner, February 8, 2010
[18] Airbus Global Market Forecast, 2012, p.59
[19] Airbus Global Market Forecast, 2011, p.53
[20] Airbus Global Market Forecast, 2012, p.76

2.7 Long-Haul LCC Strategic Factors

2.7.1 *Competition/Substitution Effects*

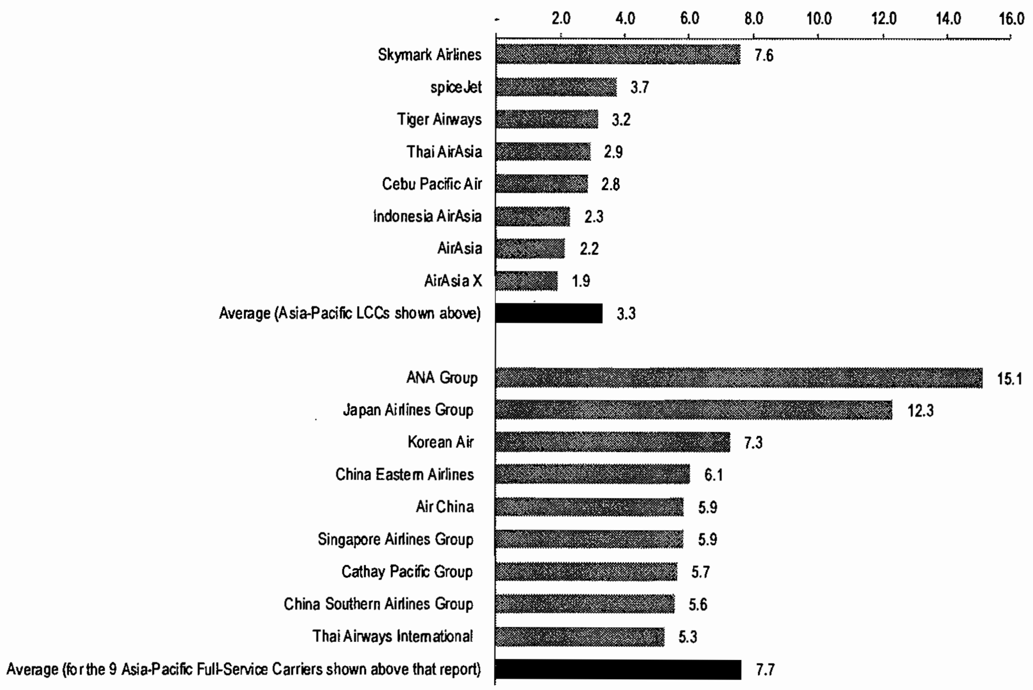
Long-haul LCC routes offer fewer alternatives in terms of mode of transportation. Because distances are great, and often include large stretches over water, travel alternatives on long-haul LCC routes potentially involve multiple and slower modes of transportation.

Therefore, other full-service carriers are the primary competition for long-haul LCCs, even though the two models offer different types of products on multiple levels and have very different fare structures.

2.7.2 *Non-Fuel Costs (CASK Excluding Fuel)*

Where available, the CASKs (excluding fuel) of Asia-Pacific full-service carriers and LCCs that report this data are shown below.

CASK (EXCLUDING FUEL)
Asia-Pacific LCCs and Other Carriers That Report This Data
US Cents; FY ending in 2011 and 2012



Source: The S-A-P Group, based on industry sources, April 2013, and AirAsia Group.
Note: For some carriers, the financial amounts represent group level data that may include financial amounts of activities that are unrelated to airline operations and these may be significant
CASK were calculated as operating expenses divided by ASK.

2.7.3 *ASK per Employee*

Where available, the ASK per employee of carriers that report this data are shown below.

ASK PER EMPLOYEE
Global LCCs and Asia-Pacific Full-Service Carriers That Report This Data
FY ending in 2011 and 2012

Global Low-Cost Carriers	ASK (millions)	Employees	ASK (millions) per Employee
Southwest Airlines Co.	206,173	45,861	4.5
Ryanair Holdings plc	114,464	8,438	13.6
easyJet plc	72,182	8,206	8.8
JetBlue Airways Corporation	64,481	12,070	5.3
GOL Linhas Aéreas Inteligentes S.A.	50,275	20,525	2.4
Virgin Australia Holdings Limited	39,800	8,367	4.8
Jetstar/ Jetstar Asia (Australia, Singapore)	35,746	4,813	7.4
AirAsia Berhad	26,074	5,137	5.1
Spirit Airlines	18,254	3,033	6.0
SpiceJet Ltd.	13,702	4,684	2.9
Air Arabia PJSC	13,000	n.a.	n.a.
Cebu Air, Inc.	12,369	n.a.	n.a.
Tiger Airways Holdings Limited	10,447	n.a.	n.a.
Thai AirAsia (Thailand)	9,199	2,026	4.5
Indonesia AirAsia (Indonesia)	8,667	n.a.	n.a.
Skymark Airlines Inc	7,734	n.a.	n.a.
Average (for the reporting carriers above)			**5.9**
Asia-Pacific Full-Service Carriers			
Air China Limited	151,590	24,474	6.2
China Southern Airlines Co. Ltd.	151,064	71,696	2.1
China Eastern Airlines Corp. Ltd.	127,891	59,872	2.1
Cathay Pacific Airways Ltd.	126,340	29,000	4.4
Singapore Airlines Ltd. (Group)	119,315	22,514	5.3
Qantas Airways Limited (Excl. Jetstar)	97,535	26,936	3.6
All Nippon Airways Co. Ltd. (Group)	86,564	32,731	2.6
Korean Air Lines Co. Ltd. (Standalone)	84,285	n.a.	n.a.
Thai Airways International Public Company Limited	78,533	n.a.	n.a.
Malaysian Airline System Bhd (Group)	55,874	20,000	2.8
China Airlines, Ltd.	40,773	10,520	3.9
Asiana Airlines, Inc. (Group)	39,745	n.a.	n.a.
Eva Airways Corp.	30,800	5,807	5.3
Average (for the reporting carriers above)			**3.8**
AirAsia X	**16,231**	**1,300**	**12.5**
Premium over Global Low Cost Carriers			**2.1x**
Premium over Asia-Pacific Full Service Carriers			**3.3x**

Source: The S-A-P Group, based on industry sources, March 2013.

2.8 Comparison of Key Performance Data for Full-Service and Low-Cost Carriers

Key operating and performance indicators are presented below for LCC and full-service carriers that report this data for FY ending in 2011 and 2012.

KEY FINANCIAL AND OPERATING PERFORMANCE
Full-Service and Low-Cost Carriers That Report This Data
FY ending in 2011 and 2012

	US$ millions		%	US cents			Passenger Operations					US$ millions	
Low Cost Carriers	Operating Revenue	Operating Profit	Operating Margin	RASK	CASK	RASK-CASK Spread	RPKs (millions)	ASKs (millions)	Passenger load factor	Passengers (millions)	Aircraft in Fleet	Operating Revenues per Aircraft	FY ending
Asia-Pacific													
1 Jetstar/Jetstar Asia	$ 3,008	$ 209	7.0%	7.37	6.85	0.51	32,353	40,830	79.2%	18.7	90	$ 33.4	Jun-12
2 AirAsia	$ 1,623	$ 376	23.2%	5.72	4.39	1.32	22,731	28,379	80.1%	19.7	64	$ 25.4	Dec-12
3 Skymark Airlines	$ 1,018	$ 236	23.2%	13.16	10.11	3.05	6,139	7,734	79.4%	6.3	26	$ 39.2	Mar-12
4 spiceJet	$ 836	$ (110)	-13.1%	6.69	7.57	(0.88)	9,816	12,500	78.5%	9.0	40	$ 20.9	Mar-12
5 Cebu Pacific Air	$ 785	$ 82	10.4%	6.35	5.68	0.66	10,531	12,369	85.1%	11.9	40	$ 19.6	Dec-11
6 AirAsia X	$ 637	$ 16	2.5%	3.88	3.74	0.14	13,601	16,231	83.8%	2.6	11	$ 57.9	Dec-12
7 Thai AirAsia	$ 624	$ 65	10.4%	5.94	5.33	0.62	8,618	10,499	82.1%	8.3	27	$ 23.1	Dec-12
8 Air Do	$ 547	$ 45	8.2%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Mar-12
9 Tiger Airways	$ 495	$ (67)	-13.5%	4.73	5.37	(0.64)	8,494	10,447	81.3%	5.5	34	$ 14.5	Mar-12
10 Indonesia AirAsia	$ 465	$ 38	8.1%	5.08	4.67	0.41	7,012	9,152	76.6%	5.8	22	$ 21.1	Dec-12
Average (Asia-Pacific Top 10 Reporting)	**$ 1,004**	**$ 89**	**6.6%**	**6.55**	**5.97**	**0.58**	**13,255**	**16,460**	**80.7%**	**9.8**	**39**	**$ 28.3**	
Average (Europe Top 10) (a)	**$ 2,865**	**$ 176**	**5.2%**	**8.11**	**8.01**	**0.38**	**32,184**	**38,210**	**83.0%**	**23.6**	**94**	**$ 32.5**	
Average (North America Top 6)	**$ 4,794**	**$ 253**	**7.2%**	**7.83**	**7.25**	**0.57**	**47,986**	**58,729**	**83.4%**	**29.7**	**187**	**$ 25.7**	
Full-Service Carriers													
Asia-Pacific													
1 ANA Group	$ 17,897	$ 1,230	6.9%	20.67	19.25	1.42	58,413	86,564	67.5%	44.9	187	$ 95.7	Mar-12
2 Air China	$ 15,260	$ 971	6.4%	10.07	9.43	0.64	123,499	151,590	81.5%	48.7	271	$ 56.3	Dec-11
3 Japan Airlines Group	$ 15,191	$ 2,584	17.0%	19.34	16.05	3.29	52,578	78,560	66.9%	35.8	215	$ 70.7	Mar-12
4 China Southern Airlines Group	$ 14,017	$ 675	4.8%	9.28	8.83	0.45	122,344	151,064	81.0%	63.7	361	$ 38.8	Dec-11
5 China Eastern Airlines	$ 12,943	$ 647	5.0%	10.14	9.63	0.51	100,744	127,700	78.9%	68.7	248	$ 52.2	Dec-11
6 Cathay Pacific Group	$ 12,766	$ 230	1.8%	9.85	9.67	0.18	103,806	129,595	80.1%	29.0	176	$ 72.5	Dec-12
7 Singapore Airlines Group	$ 11,896	$ 229	1.9%	9.97	9.78	0.19	92,293	119,315	77.4%	17.2	100	$ 119.0	Mar-12
8 Qantas Group (excl. Jetstar)	$ 11,024	$ (22)	-0.2%	11.18	11.20	(0.02)	79,339	98,593	80.5%	28.0	218	$ 50.6	Jun-12
9 Korean Air	$ 10,676	$ 356	3.3%	12.67	12.24	0.42	64,857	84,285	76.9%	23.3	147	$ 72.6	Dec-11
10 Thai Airways International	$ 6,361	$ (80)	-1.3%	8.10	8.20	(0.10)	55,267	78,533	70.4%	18.4	86	$ 74.0	Dec-11
Average (Asia-Pacific Top 10 Reporting)	**$ 12,803**	**$ 682**	**4.6%**	**12.13**	**11.43**	**0.70**	**85,314**	**110,580**	**76.1%**	**37.8**	**201**	**$ 70.2**	
Average (Europe Top 10)	**$ 12,472**	**$ 97**	**1.0%**	**10.95**	**10.86**	**0.09**	**83,068**	**104,282**	**78.0%**	**33.4**	**220**	**$ 57.8**	
Average (North America Top 8)	**$ 16,728**	**$ 552**	**5.2%**	**9.30**	**8.83**	**0.47**	**143,584**	**172,815**	**83.2%**	**71.9**	**610**	**$ 28.0**	

Source: The S-A-P Group, based on industry sources, April 2013, and AirAsia Group. Carrier rankings (eg, "Top 10") based on operating revenues.
Note: For some carriers, the financial amounts represent group level data that may include financial amounts of activities that are unrelated to airline operations and these may be significant.
RASK were calculated as operating revenue divided by ASK. CASK were calculated as operating expenses divided by ASK.
(a) Excludes operating profit, operating margin, CASK, and RASK-CASK spread for WIZZ Air.
Europe LCCs include: Ryanair, Air Berlin, EasyJet, Thomson Airways, Norwegian, Aer Lingus, Vueling Airlines, WIZZ Air, Icelandair Group, and Jet2.
North America LCCs include: Southwest Airlines, JetBlue Airways, WestJet Airlines, Spirit Airlines, Virgin America, and Allegiant Air.
Europe Full-Service Carriers include: Lufthansa Group, Air France-KLM Group, International Airlines Group, Scandinavian Airlines (SAS), Aeroflot Russian Airlines, Alitalia, Virgin Atlantic Airways, TAP Portugal, Transaero Airlines, and Finnair.
North America Full-Service Carriers include: United Continental Holdings, Delta Air Lines, American Airlines, US Airways, Air Canada, Alaska Air Group, Republic Airways Holdings, and Hawaiian Airlines.

AVERAGE AGE OF WIDEBODY FLEET AND NUMBER OF A-330s AND SEAT CAPACITIES OF AIRBUS A330-300
Asia-Pacific Carriers

			A330-300 Seats			
Asia-Pacific Carriers	Widebody fleet age (average years)	Number of Airbus A330s in Fleet	First Class	Business Class	Premium Economy and Economy	Total
AirAsia X (Malaysia) (a)	4.9	9	--	--	377	377
China Eastern Airlines (China)	5.1	28	--	38	260	298
Jetstar Airways (Australia)	5.8	11	--	38	265	303
China Southern Airlines (China)	6.3	24	4	48	208	260
Singapore Airlines (Singapore)	7.2	19	--	30	255	285
Air China (China)	8.6	34	--	36	275	311
EVA Air (Taiwan)	8.8	14	30		279	309
China Airlines (Taiwan)	9.0	21	--	35	276	311
Malaysia Airlines (Malaysia)	9.5	22	--	36	247	283
Japan Airlines (Japan)	9.6	--	--	--	--	--
Cathay Pacific (SAR China)	10.0	36	--	42	239	281
Korean Air (South Korea)	10.6	23	6	22	252	280
ANA Group (Japan)	10.9	--	--	--	--	--
Asiana (South Korea)	11.0	12	--	30	260	290
Thai Airways Int'l (Thailand)	11.7	25	--	36	263	299
Qantas (Australia)	12.2	19	--	30	267	297
Average for carriers shown above (a)	**8.8**	**21**	**13**	**35**	**266**	**299**
Average for carriers shown above (excl. AirAsia X)	**9.1**	**22**	**13**	**35**	**257**	**293**

Source for age and fleet size: Airfleets.net database, as of March 2013.
Source for seat capacities: Various sources, based on S-A-P analysis, March 2013.
Note: Averages exclude aircraft and cabin seat capacities not operated by the carriers.
(a) Does not include A340 aircraft.

AVERAGE ON-TIME PERFORMANCE
Asia-Pacific Carriers
12-Month Periods Noted

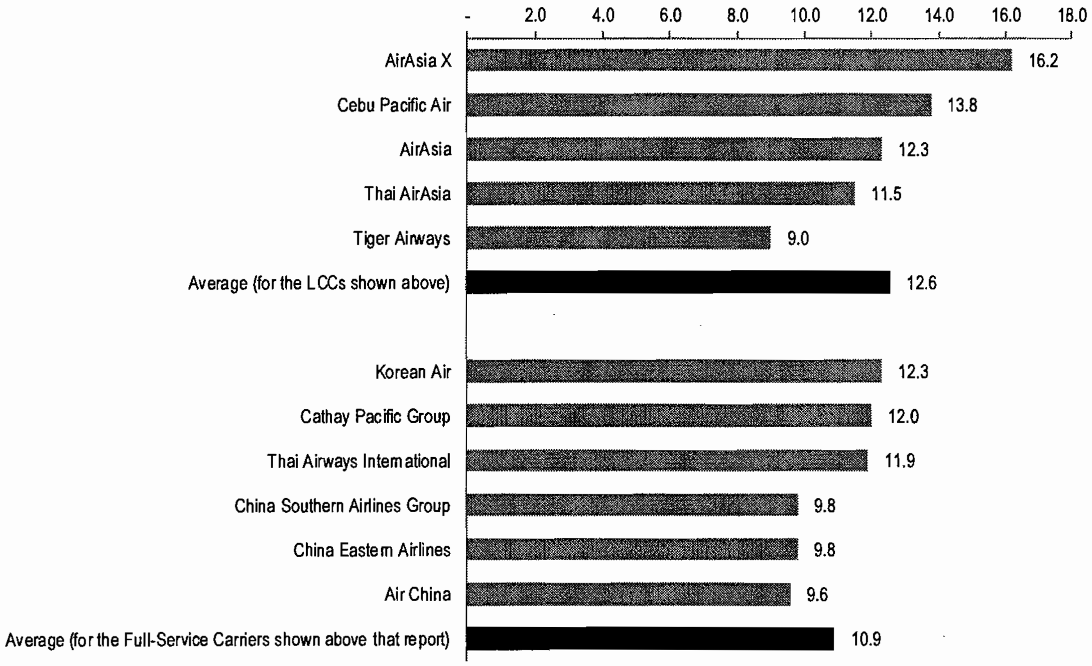
Asia-Pacific		On-Time Performance: 12 month period	Period: 12 months ending
Low-Cost Carriers			
1	Jetstar/Jetstar Asia	76.6%	Jun-12
2	AirAsia	88.0%	Dec-11
3	Skymark Airlines	n.a.	Mar-12
4	spiceJet	n.a.	Mar-12
5	Cebu Pacific Air	76.7%	Dec-11
6	AirAsia X	85.0%	Dec-12
7	Thai AirAsia	84.0%	Dec-11
8	Air Do	n.a.	Mar-12
9	Tiger Airways (Singapore operations only)	78.2%	Mar-12
10	Indonesia AirAsia	n.a.	Dec-11
	Average (Asia-Pacific Top 10 Reporting)	**81.4%**	
Full-Service Carriers			
1	ANA Group	90.7%	Mar-12
2	Air China	n.a.	Dec-11
3	Japan Airlines Group	n.a.	Mar-12
4	China Southern Airlines Group	n.a.	Dec-11
5	China Eastern Airlines	n.a.	Dec-11
6	Cathay Pacific Group	77.4%	Dec-12
7	Qantas Group (excl. Jetstar and Qantas Link)	84.4%	Jun-12
8	Singapore Airlines Group	n.a.	Mar-12
9	Korean Air	n.a.	Dec-11
10	Thai Airways International	n.a.	Dec-11
	Average (Asia-Pacific Top 10 Reporting)	**84.2%**	

Source: Annual reports for the carriers shown.
Carrier rankings (eg, "Top 10") based on operating revenues for carriers that report

2.8.1 *Aircraft Utilization*

Aircraft utilization is a major driver of unit costs that differs structurally between short-haul and long-haul operations.

AVERAGE AIRCRAFT UTILIZATION (HOURS PER DAY)
Asia-Pacific Carriers That Report This Data
FY2011 and FY2012



Source: The S-A-P Group, based on industry sources, March 2013, and AirAsia Group.
Carriers shown reflect availablity of data.

2.8.2 *Baggage Mishandling Rates*

In 2007, the number of mishandled bags per 1,000 passengers was 18.88. In 2012, the rate was 8.83 bags per 1,000 passengers.[21] According to IATA, the cost to an airline for each mishandled bag is approximately US$100.

[21] Source: Baggage Report 2013, SITA.

2.8.3 *Skytrax Ratings*

Skytrax compiles survey ratings and assigns "star" levels to carriers around the world.

SKYTRAX STAR RATING, AVERAGE CUSTOMER REVIEW RATING, AND NUMBER OF REVIEWS RECEIVED
Skytrax

	Skytrax		
Full-service carriers	Skytrax star rating	Average customer review rating	Surveys
Singapore Airlines (Singapore)	5-Star	8.7	1,288
Asiana (South Korea)	5-Star	8.7	488
ANA Group (Japan)	4-Star	8.0	237
Qantas (Australia)	4-Star	7.8	1,437
Cathay Pacific (SAR China)	5-Star	7.8	1,110
Malaysia Airlines (Malaysia)	5-Star	7.8	868
Japan Airlines (Japan)	4-Star	7.0	282
Thai Airways Int'l (Thailand)	4-Star	6.9	920
EVA Air (Taiwan)	4-Star	6.8	448
China Airlines (Taiwan)	4-Star	6.8	285
Korean Air (South Korea)	4-Star	6.0	380
Air China (China)	4-Star	5.0	357
China Southern Airlines (China)	4-Star	5.0	348
China Eastern Airlines (China)	3-Star	5.0	330
Average (for the carriers shown above)	**4-Star**	**7.0**	**627**
Low-cost carriers			
Skymark Airlines (Japan)	n.a.	8.0	10
IndiGo (India)	n.a.	7.9	58
AirAsia X	3-Star	7.6	189
Thai AirAsia (Thailand)	3-Star	7.6	70
AirAsia (Malaysia)	3-Star	6.8	534
SpiceJet (India)	n.a.	6.1	36
Jetstar/Jetstar Asia (Australia, Singapore)	3-Star	5.5	72
Lion Air	n.a.	5.2	48
Cebu Pacific Air (Philippines)	3-Star	5.0	121
Spring Airlines (China)	3-Star	5.0	21
Tiger Airways (Singapore, Australia)	3-Star	3.7	501
Average (for the carriers shown above)	**3-Star**	**6.2**	**151**

Source: Skytrax, March 2013.

2.9 Ancillary Revenues

The financial reports of 108 airlines were reviewed and 50 of these carriers reported their ancillary revenue performance. S-A-P estimates that passengers on long-haul flights generally purchase a greater number of ancillary products than do passengers on short-haul flights.

ANCILLARY REVENUES AS A SHARE OF TOTAL REVENUES AND PER PASSENGER (IN US$)
Top 10 Airlines Reporting (LCC and Full-Service Carriers)
2010 and 2011

Ancillary Revenues as a % of Total

2010 Rank	Airline (Primary Base)	2010 Results	2011 Rank	Airline (Primary Base)	2011 Results
1	Allegiant Air (USA)	29.2%	1	Spirit Airlines (USA)	33.2%
2	Spirit Airlines (USA)	22.6%	2	Jet2.com (UK)	27.1%
3	Ryanair (Ireland)	22.1%	3	Allegiant Air (USA)	27.0%
4	Jet2.com (UK)	21.0%	4	easyJet (UK)	20.8%
5	Tiger Airways (Singapore)	20.5%	5	Ryanair (Ireland)	20.5%
6	easyJet (UK)	19.2%	6	Tiger Airways (Singapore)	19.1%
7	AirAsia (Malaysia)	18.7%	7	AirAsia Group (a)	17.8%
8	AirAsia X (Malaysia)	18.4%	8	Flybe (UK)	17.0%
9	Flybe (UK)	15.7%	9	AirAsia X (Malaysia)	16.5%
10	United Continental (USA)	14.7%	10	Jetstar (Australia)	15.3%

Ancillary Revenues per Passenger (US$)

2010 Rank	Airline (Primary Base)	2010 Revenues	2011 Rank	Airline (Primary Base)	2011 Revenues
1	AirAsia X (Malaysia)	$ 38.92	1	Qantas Airways (Australia)	$ 50.82
2	Qantas Group (Australia) (b)	$ 37.00	2	Spirit Airlines (USA)	$ 41.75
3	United Continental (USA)	$ 34.32	3	Jet2.com (UK)	$ 41.37
4	Jet2.com (UK)	$ 34.24	4	AirAsia X (Malaysia)	$ 40.09
5	Allegiant Air (USA)	$ 32.86	5	United Continental (USA)	$ 36.47
6	Spirit Airlines (USA)	$ 25.16	6	Allegiant Air (USA)	$ 34.00
7	Aer Lingus (Ireland)	$ 24.91	7	Alaska Airlines (USA)	$ 24.61
8	Alaska Airlines (USA)	$ 23.68	8	Jetstar (Australia)	$ 23.35
9	Delta Air Lines (USA)	$ 22.75	9	Aer Lingus (Ireland)	$ 22.02
10	Flybe (UK)	$ 20.99	10	Flybe (UK)	$ 21.92

Source: Yearbook of Ancillary Revenue Results, The Ideaworks Company, 2012, and AirAsia Group.
(a) Ideaworks Company does not disclose if the AirAsia Group amount incorporates AirAsia X performance.
(b) Includes Jetstar.

3 REGULATORY ENVIRONMENT

3.1 Airline Regulation Structure in Malaysia

Aviation in Malaysia is regulated by the Civil Aviation Act of 1969 and Civil Aviation Regulations of 1996, which govern the registering and marketing of aircraft, the licensing and issuance of certificates of operation for air service, and the operation of airlines and aircraft.

The Department of Civil Aviation in Malaysia (DCA) was established as an agency under the Ministry of Transport (MOT) Malaysia to provide safe, efficient, and orderly flow of air transportation, and to regulate aviation activities in Malaysia. The DCA in turn ensures compliance to standards and recommended practices of the International Civil Aviation Organization (ICAO).

3.2 Liberalization of the Aviation Industry

Studies have shown that the liberalization of air services can lead to new and better air services, thereby increasing trade in airlines services, gains in consumer welfare and economic growth. Liberal aviation agreements allow for increased competition on routes and lower airfares, thereby stimulating additional activity.

Traffic growth subsequent to liberalization of air services agreements between countries typically averaged between 12% and 35%, significantly greater than during years preceding liberalization. In a number of situations, growth exceeded 50%, and in some cases reached almost 100% of the pre-liberalization rates. The creation of the Single European Aviation Market in 1993 led to an average annual growth rate in traffic between 1995 and 2004 that was almost double the rate of growth in the years 1990 to 1994.

Countries across the Asia Pacific region and in particular, Southeast Asia, are liberalizing broadly the international bilateral agreements that can, in their extreme, regulate items such as the precise number and type of carriers that can operate, the number of total seats that can be provided, and the levels of airfares that can be charged.

The December 2008 lifting of restrictions on the Kuala Lumpur-Singapore route offers a good example of the impact that the easing of aviation market restrictions can have. Capacity (as measured by weekly flight frequencies, according to OAG) on this route for the month of September 2009 increased 72.5% as compared to September 2008 levels.

3.3 ASEAN Member States and Open Skies

The trend of deregulation and liberalization in Asia is expected to continue, particularly amongst countries that are part of ASEAN.

ASEAN was established in 1967 with initially five member countries: Indonesia, Malaysia, Philippines, Singapore, and Thailand. Its membership increased over time with Brunei joining in 1984, followed by Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999. ASEAN was formed to promote regional peace, prosperity, and stability.

3.3.1 *Within ASEAN*

Subsequent to an aviation liberalization roadmap adopted by ASEAN member states in 2004, in November 2010, the member states reaffirmed their collective commitment to building an ASEAN Single Aviation Market by 2015. The November 2010 ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS) and its two Protocols provides for further expansion of the scope of the ASEAN Multilateral Agreement on Air Services (MAAS) to include other ASEAN cities. The agreement and its protocols provides for designated airlines of a Member State to provide air services from any city with international airports in its territory to any city with international airports in the territory of the other Member States and vice-versa with full third, fourth, and fifth freedom traffic rights.

3.4 Open Skies Agreements with Malaysia

Malaysia has open skies agreements for passenger services with several countries, including Australia, Austria, China, Japan, Lebanon, Morocco, New Zealand, Philippines, Qatar, South Korea, Sri Lanka, Taiwan, Thailand, and the United States.[22]

3.5 Environmental Regulations

The European Union (EU) Emissions Trading System was launched in 2005 and was created to control greenhouse-gas emissions in an effort to combat climate change. In January 2012, the EU decided to make all airline flights into the EU subject to the trading scheme. As such, airlines flying into the EU are required to buy tradable carbon credits.

The airline industry and some countries have resisted the new scheme as the carbon credits must be purchased for an entire flight, rather than just the portion in EU skies. The EU, however, argues that in the absence of a global agreement on airline emissions, it was forced to go ahead with its own scheme, which includes an exemption clause for countries with "equivalent measures".

Other countries around the world may adopt similar environmental regulations, which could increase airline operating costs.

[22] Source: The S-A-P Group, from various references. Specific destinations in a country may be precluded from the open skies arrangements.

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1 Directors

9.1.1 Responsibilities of our Board

Subject to the limitations set out in our Articles, our Board has adopted a charter ("**Board Charter**"), which sets out, amongst others the following roles and responsibilities of our Board to actively oversee the conduct and direct the management of our Group's business and affairs:

(i) to review and approve strategies, business plans and significant policies for our Group and monitor management's performance in implementing them;

(ii) to set corporate values and clear lines of responsibility and accountability, including governance systems and processes that are communicated throughout our Group;

(iii) to ensure full compliance and to carry out the duties of our Board in accordance with the relevant laws, regulations and guidelines;

(iv) to oversee the conduct of our Group's business and ensure that our management is competent and effective;

(v) to ensure that there shall be unrestricted access to independent advice or expert advice at our Company's expense in furtherance of our Board's duties (whether as a Board or a Director in his or her individual capacity);

(vi) to formalise ethical standards through a code of conduct which will be applicable throughout our Group and to ensure the compliance of this code of conduct;

(vii) to ensure that our operations are conducted prudently, and within the framework of relevant laws and regulations;

(viii) to establish, approve, review, and monitor our risk appetite and comprehensive risk management policies, processes and infrastructure;

(ix) to consider emerging issues which may be material to our business and affairs and ensure that we have a proper succession plan for our senior management;

(x) to ensure that our Board has adequate procedures in place to receive reports periodically and/or on a timely basis from our management that would provide our Board with a reasonable basis to make proper judgement on an ongoing basis as to the financial position and business prospects of our Company;

(xi) to review the adequacy and integrity of our Company's internal control system and management information systems, including systems for complying with applicable laws, regulations, rules, directives and guidelines; and

(xii) to ensure that our Company has in place a policy and/or procedures to enable effective communication with, and appropriate disclosure to, our shareholders and other stakeholders; and that our shareholders have access to information about our Company.

9.1.2 Board of Directors

Our Board comprises the following Directors:

Name	Address	Age	Designation
Tan Sri Rafidah Aziz	15, Jalan Setiamurni 2 Bukit Damansara 50490 Kuala Lumpur Malaysia	69	Independent Non-Executive Chairman
Dato' Kamarudin Bin Meranun	27, Jalan Setiabakti 6 Bukit Damansara 50490 Kuala Lumpur Malaysia	52	Non-Independent Non-Executive Director
Tan Sri Dr. Anthony Francis Fernandes	37-2, Bangsar Heights Jalan Kaloi, Off Jalan Kurau 59100 Kuala Lumpur Malaysia	49	Non-Independent Non-Executive Director
Dato' Seri Kalimullah Bin Masheerul Hassan	1, Jalan USJ 2/7 UEP Subang Jaya, 47610 Selangor Darul Ehsan Malaysia	55	Non-Independent Non-Executive Director
Kiyoshi Fushitani	G-203 Park Hills, 553-1 Shinano-Cho Totsuka-Ku, Yokohama-City Kanagawa-Pref Japan	62	Non-Independent Non-Executive Director
Shan-E-Abbas Ashary	Al Yamama Village Compound Naseem Area, Riyadh Saudi Arabia	62	Non-Independent Non-Executive Director
Dato' Fam Lee Ee	2, Jalan Kenyalang 11/6G D'Villa, PJU 5 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Malaysia	52	Non-Independent Non-Executive Director
Lim Kian Onn	50, Jalan Setiamurni 6 Bukit Damansara 50490 Kuala Lumpur Malaysia	56	Non-Independent Non-Executive Director
Tan Sri Asmat Bin Kamaludin	23, Jalan 14/37 46100 Petaling Jaya Selangor Darul Ehsan Malaysia	69	Independent Non-Executive Director
Dato' Yusli Bin Mohamed Yusoff	49, Jalan Seri Beringin 2 Seri Beringin Bukit Damansara 50490 Kuala Lumpur Malaysia	54	Independent Non-Executive Director

Name	Address	Age	Designation
Asher Noor	Al Waha Garden Village Compound Granada Area Riyadh Saudi Arabia	37	(alternate Director to Shan-E-Abbas Ashary)
Kiyotaka Tanaka	266-69 Akiba-Cho Totsuka-Ku, Yokohama-City Kanagawa-Pref 245-0052, Japan	49	(alternate Director to Kiyoshi Fushitani)

In accordance with Articles 126 and 127 of our Articles, at each annual general meeting, 1/3 of our Directors for the time being, or if their number is not 3 or a multiple of 3, the number nearest to 1/3 with a minimum of 1, shall retire from office provided always that each Director shall retire at least once in every 3 years. The Directors retiring in every year shall be those who, being subject to retirement by rotation, have been the longest in office since their appointment or reappointment. A retiring Director shall be eligible for re-election.

The number of Directors (disregarding alternate Directors) shall be at least 2 but not more than 12 (unless otherwise determined by ordinary resolution). As at the date of this Prospectus, our Board consisted of 10 Directors (excluding alternate Directors) and 12 (including alternate Directors), 3 of whom are independent non-executive Directors.

Under the terms of our Board Charter, the tenure of an independent Director should not exceed a cumulative term of 9 years and upon completion of such tenure, the independent Director may continue to serve on our Board subject to being redesignated as a non-independent Director. In the event that it is the intention for an independent Director to continue to serve in an independent capacity after the aforesaid tenure, our Board is required to justify such continued service and seek shareholders' approval for such continued appointment as an independent Director.

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The details of our Directors' date of expiration of their current term of office and the period that they have served in that office up to the LPD were as follows:

Directors	Date of appointment	Date of expiration of current term of office	Approximate no. of years and months in office up to the LPD[1]
Tan Sri Rafidah Aziz	3 March 2011	2014	2 Years 1 Month
Dato' Kamarudin Bin Meranun	6 June 2006	2014	6 Years 10 Months
Tan Sri Dr. Anthony Francis Fernandes	18 July 2006	2014	6 Years 9 Months
Dato' Seri Kalimullah Bin Masheerul Hassan	11 June 2007	2015	5 Years 10 Months
Kiyoshi Fushitani	19 November 2012	2016	5 Months
Shan-E-Abbas Ashary	6 October 2010	2015	2 Years 6 Months
Dato' Fam Lee Ee	24 March 2008	2015	5 Years 1 Month
Lim Kian Onn[2]	10 July 2012	2016	9 months
Tan Sri Asmat Bin Kamaludin	13 May 2013	2014	Less than 1 month
Dato' Yusli Bin Mohamed Yusoff	13 May 2013	2014	Less than 1 month
Asher Noor *(Alternate Director to Shan-E-Abbas Ashary)*	6 October 2010	-	2 Years 6 Months
Kiyotaka Tanaka *(Alternate Director to Kiyoshi Fushitani)*	19 November 2012	-	5 Months

Notes:

(1) Except for Tan Sri Asmat Bin Kamaludin and Dato' Yusli Bin Mohamed Yusoff, both of whom were only appointed after the LPD.

(2) Lim Kian Onn served as an alternate Director to Dato' Seri Kalimullah Bin Masheerul Hassan from 11 June 2007 until 10 July 2012 when he was appointed as a Director.

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Save as disclosed below, none of our Directors represent any corporate shareholders:

Corporate Shareholders	Representative Director(s)
Aero Ventures Sdn Bhd	• Dato' Kamarudin Bin Meranun • Tan Sri Dr. Anthony Francis Fernandes • Dato' Seri Kalimullah Bin Masheerul Hassan
AirAsia Berhad	• Dato' Fam Lee Ee
Orix Airline Holdings Limited	• Kiyoshi Fushitani • Kiyotaka Tanaka (as alternate)
Manara Malaysia I Limited	• Shan-E-Abbas Ashary • Asher Noor (as alternate)

Lim Kian Onn is also deemed a non-independent Director by virtue of his own direct shareholdings in our Company and his interests in Aero Ventures Sdn Bhd, further details of which are set out in Section 9.3.1 of this Prospectus.

9.1.3 Biographies of our Directors

Tan Sri Rafidah Aziz, Malaysian, is an independent non-executive Director and the Chairman of our Board. She is Malaysia's longest-serving Minister of International Trade and Industry, having served in that capacity from 1987 to 2008, and contributes a wealth of international experience.

Previously, she has also held the portfolio of Minister of Public Enterprises from 1980 to 1987, and Deputy Minister of Finance prior to that, from 1977 to 1980. Further, she has experience lecturing at the faculty of Economics and Administration at the University of Malaya.

She holds a Bachelor of Arts degree in Economics and a Masters degree in Economics from the University of Malaya, obtained in 1966 and 1970, respectively.

Dato' Kamarudin Bin Meranun, Malaysian, is a non-independent non-executive Director of our Company and is one of our Company's co-founders. He is also the co-founder and director of Tune Group Sdn Bhd and was the Deputy Group Chief Executive Director and President of Group Finance, Treasury, Corporate Finance and Legal of AirAsia Berhad, a low-cost airline listed on the Main Market, until June 2012 when he was redesignated as non-independent non-executive director and appointed as Deputy Group Chief Executive Officer of AirAsia ASEAN Inc.

Prior to joining AirAsia Berhad, he worked in Arab-Malaysian Merchant Bank from 1988 to 1993 as a Portfolio Manager, managing both institutional and high net-worth individual clients' investment funds. In 1994, he was appointed as an executive director of Innosabah Capital Management Sdn Bhd, a subsidiary of Innosabah Securities Sdn Bhd. He subsequently acquired the shares of the joint venture partner of Innosabah Capital Management Sdn Bhd, which was later renamed Intrinsic Capital Management Sdn Bhd.

Dato' Kamarudin Bin Meranun received a Diploma in Actuarial Science from University Technology MARA (UiTM) in 1983. He further received a Bachelor of Science (BSc) with Distinction (Magna Cum Laude) majoring in Finance in 1986, and a Master of Business Administration (MBA) in 1987 from Central Michigan University.

Tan Sri Dr. Anthony Francis Fernandes, Malaysian, is a non-independent non-executive Director of our Company and one of our Company's co-founders. He is also the co-founder and director of Tune Group Sdn Bhd and was the Group Chief Executive Officer of AirAsia Berhad until June 2012 when he was redesignated as non-independent non-executive director of AirAsia Berhad and appointed as Group Chief Executive Officer of AirAsia ASEAN Inc.

Prior to joining AirAsia Berhad, he was the Financial Controller at Virgin Communications London (1987 to 1989), and moved on to be the Senior Financial Analyst at Warner Music International London (1989 to 1992), Managing Director at Warner Music Malaysia (1992 to 1996), Regional Managing Director, Asean (1996 to 1999) and Vice President, Asean at Warner Music South East Asia (1999 to 2001). Tan Sri Dr. Anthony Francis Fernandes is also an independent non-executive director of Star Publications (Malaysia) Berhad, a company listed on the Main Market.

He was admitted as an Associate Member of the Association of Chartered Certified Accountants in 1991, and became a Fellow Member in 1996. He also received an Honorary Doctorate of Business Innovation from Universiti Teknologi Malaysia (UTM) in March 2010 for his role in changing the face of aviation and benefitting travellers and economies locally and in the region.

Dato' Seri Kalimullah Bin Masheerul Hassan, Malaysian, is a non-independent non-executive Director of our Company and one of our Company's co-founders. He began his career in journalism in 1979 and moved on to the corporate sector in 1995. He has gained significant corporate experience, having held key positions in various Malaysian listed corporations.

In September 2002, he was appointed as chairman of the national news agency, Bernama, for a two-year term by DYMM Yang di-Pertuan Agong but resigned to take on his position as Group Editor-in-Chief in The New Straits Times Press (M) Bhd ("**NSTP**") on 1 January 2004. He left as Group Editor-in-Chief in December 2005 upon expiry of his contract and returned to his financial services business. He was appointed Deputy Chairman of NSTP in January 2006 and resigned in December 2008. Dato' Seri Kalimullah was appointed by the Federal Government as a member of the National Unity Advisory Panel in January 2005 for a two-year term. He was re-appointed for another two-year term in January 2007.

He was appointed as the Chairman of the Board of Directors of ECM Libra Financial Group Berhad ("**ECMLFG**"), a financial services company listed on the Main Market, in June 2006. He was redesignated Executive Chairman and Chief Executive Officer with effect from May 2007, a position he held until February 2010. In February 2010, he was redesignated as Chairman and non-independent non-executive director of ECMLFG.

Dato' Seri Kalimullah Bin Masheerul Hassan is also a director of ECM Libra Foundation and was previously the Chairman of Ekowood International Berhad up to May 2010 and a director of ECM Libra Investment Bank Berhad ("**ECMLIB**") up to July 2010.

Kiyoshi Fushitani, Japanese, is a non-independent non-executive Director of our Company. He is currently Executive Vice President of Global Business and Alternative Investment Headquarters of ORIX Corporation ("**ORIX**"), an integrated diversified financial services group based in Tokyo, Japan and listed on the Tokyo Stock Exchange, the Osaka Securities Exchange and the New York Stock Exchange.

Kiyoshi Fushitani joined Treasury Department of ORIX in 1975 following his two years in Sumitomo Bank (now Sumitomo-Mitsui Banking Corporation). After serving in Treasury Department, he moved into international business of ORIX and took various assignments in Singapore, London and New York. From 2000 to 2006, he was appointed Director and Corporate Executive Officer of ORIX Life Insurance Corporation based in Tokyo. In 2007, he was re-assigned back to ORIX as Senior Managing Director and Deputy Head for Global Business Headquarters and served as ORIX's Senior Managing Director of Corporate Planning and Financial Control Headquarters until 2009.

In 2009, Kiyoshi Fushitani was transferred to ORIX Investment Corporation and served as President and Chairman until 2012.

He holds a Bachelor of Arts in Economics from the Kobe University obtained in 1973.

Shan-E-Abbas Ashary, Canadian, is a non-independent non-executive Director of our Company. He is currently the Head of International Investments in Aljomaih Holding Company, an industrial conglomerate that operates in manufacturing, beverages, real estate, investment, automotive services and heavy plant equipment industries based in Riyadh, Saudi Arabia, a position he has held since 2001. He has over 30 years' experience in managing international investments, and running operations of large, diversified multinational companies, finance, treasury, corporate planning in United States of America, United Kingdom, Canada, United Arab Emirates, Kuwait and Saudi Arabia.

Previously, he served as the Vice President and Partner of Metrics, Inc., Dallas, United States of America, from 1981 to 1988, and subsequently as the Chief Financial Officer / Advisor to Chairman of the Al-Jeraisy Group, Saudi Arabia, from 1988 to 1994. In the 8 years prior to his current position at Aljomaih Holding Company, he served as the Vice President and Chief Operating Officer of Al-Wazzan Holding Group, Kuwait.

He is a qualified chartered accountant, and is a Fellow of the Institute of Chartered Accountants in England & Wales, as well as the Canadian Institute of Chartered Accountants.

Dato' Fam Lee Ee, Malaysian, is a non-independent non-executive Director of our Company. He has been practising law for the past 22 years, 21 of which have been at Messrs YF Chun, Fam & Yeo. He is currently the Managing Partner there. He also currently serves as an independent non-executive director of AirAsia Berhad and had previously served as an independent non-executive director of M-Mode Berhad, a company listed on the ACE Market of Bursa Securities.

Dato' Fam Lee Ee received his Bachelor of Arts (Hons) from the University of Malaya in 1986 and a Bachelor of Laws (Hons) from the University of Liverpool, England in 1989. He obtained his Certificate of Legal Practice in 1990.

Lim Kian Onn, Malaysian, is a non-independent non-executive Director of our Company and is one of our Company's co-founders. He founded the Libra Capital Group in 1994 and co-founded the ECM Libra Group in 2002. Subsequently, he was appointed to the Board of Directors of ECMLFG in June 2006 and redesignated as Managing Director in May 2007, a position that he held until August 2010. In August 2010, he was redesignated as non-independent non-executive director of ECMLFG. During this period, he was also appointed as the Acting Chief Executive Officer and executive director of ECMLIB from February 2008 to August 2008 when he was redesignated as non-executive director, a position that he held until December 2012.

Lim Kian Onn has been a member of the Institute of Chartered Accountants in England & Wales since 1981. He served his articleship with KMG Thomson McLintock in London for 4 years from 1977 to 1981 and was a consultant with Andersen Consulting from 1981 to 1984. Between 1984 and 1993, he was with the Hong Leong Group, Malaysia where he helped set up their stockbroking business.

He is also the non-executive Chairman of Plato Capital Limited, a company listed on the Stock Exchange of Singapore, and a director of ECM Libra Foundation.

Tan Sri Asmat Bin Kamaludin, Malaysian, is an independent non-executive Director of our Company. He has over 35 years' experience in Malaysian public service, most notably in the Ministry of International Trade and Industry of Malaysia. He also serves as non-executive chairman of various listed companies, including UMW Holdings Berhad, Panasonic Manufacturing Malaysia Berhad and SCOMI Group Berhad. He is also the non-executive vice chairman of YTL Cement Berhad and a director of Permodalan Nasional Berhad and The Royal Bank of Scotland Berhad. Further, due to his experience in the international trade sector, specifically in Malaysia-Japan relations in trade, he currently represents Malaysia as Governor on the Governing Board of the Economic Research Institute for ASEAN and East Asia.

Previously, he had served in various capacities in the public service since 1977 and his last post was as Secretary General of the Ministry of International Trade and Industry of Malaysia, a position he held since May 1992. In the 5 years prior to his retirement in January 2001, Tan Sri Asmat Bin Kamaludin served as a board member of Malaysia Technology Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

Tan Sri Asmat Bin Kamaludin graduated from the University of Malaya in 1966 with a Bachelor of Arts (Honours) degree in Economics and also holds a Diploma in European Economic Integration from the University of Amsterdam, obtained in 1971.

Dato' Yusli Bin Mohamed Yusoff, Malaysian, aged 54, is an independent non-executive Director of our Company. He commenced his career in 1981 as a trainee accountant with Peat Marwick Mitchell, London. He joined Hugin Sweda PLC, London in 1986 before returning to Malaysia in 1990.

He then held various key positions in a number of public listed and private companies in Malaysia including senior financial and general management roles within Renong Group before leaving as Chief Operating Officer/Executive Director of Renong Berhad in 1995. He was Group Managing Director of Shapadu Corporation (1995-1996) and Chief General Manager of Sime Merchant Bankers Berhad (1996-1998) and served concurrently as Executive Vice Chairman of Intria Berhad and Managing Director of Metacorp Berhad (1998-1999) before venturing into stockbroking as the Chief Executive Director of CIMB Securities Sdn Bhd (2000-2004).

He was Chief Executive Officer / Executive Director of Bursa Malaysia Berhad from February 2004 to March 2011. He sat as a board member of the Capital Market Development Fund (2004-2011) and was chairman of the Association of Stockbroking Companies Malaysia in 2003 / 2004. He also served as exco member of the Financial Reporting Foundation of Malaysia (2004-2011).

Dato' Yusli Bin Mohamed Yusoff is currently Executive Director of Australaysia Resources & Minerals Bhd, Independent Non-Executive Chairman of Mudajaya Group Berhad, and a board member of YTL Power International Berhad, Mulpha International Berhad, Asian Institute of Finance Berhad and Pelaburan MARA Berhad.

He also serves as the Patron of the Victoria Institution Old Boys Association. He graduated from the University of Essex, United Kingdom with a Bachelor of Economics degree in 1981. He is a Member of the Institute of Chartered Accountants of England & Wales, the Malaysian Institute of Accountants and is also an Honorary Member of the Institute of Internal Auditors Malaysia.

Asher Noor, Pakistani, is an alternate Director to Shan-E-Abbas Ashary, one of our non-independent non-executive Directors. He brings with him more than 10 years of Middle Eastern experience in the financial services sector in areas such as finance, corporate governance, commercial and investment banking.

He is currently the Chief Financial Officer for the AlTouq Group, a leading Saudi family office / sophisticated financial investor group with local, regional and global investment outreach. He is a sought after speaker in regional and international conferences and economic summits on finance, private equity and hedge funds. Prior to joining the AlTouq Group, Asher Noor served as the Chief Financial Officer / Head of Compliance for Morgan Stanley Saudi Arabia from 2008 to 2009 where he, amongst others, established their brokerage sales and trading platform and liaised with the Saudi Capital Market Authority in executing the first equity swap on the Saudi Stock Exchange or Tadawul.

Previously, he was a Chartered Accountant with PricewaterhouseCoopers (A.F. Ferguson & Co.) in Karachi, Pakistan from 1996 to 2001, and also worked as a Senior Finance Manager at Banque Saudi Fransi in Riyadh, Saudi Arabia, a bank affiliated to Credit Agricole Corporate and Investment Bank, from 2002 to 2008, where he developed accounting structures for retail, corporate and treasury products and implemented the market risk reporting framework.

He is also a board member of other companies around the world, representing AlTouq Group's investments. He received his Masters degree in English Literature from the Karachi University, Pakistan in 2000 and Chartered Accountancy degree from the Institute of Chartered Accountants of Pakistan in 2001.

Kiyotaka Tanaka, Japanese, is an alternate Director to Kiyoshi Fushitani, one of our non-independent non-executive Directors. He is currently the Managing Director and the head of the Aviation and Investment Group under the Global Business and Alternative Investment Headquarters of ORIX and also serves as a director of ORIX Aviation Systems Limited in Ireland.

Prior to his current position, he held various positions in ORIX, namely Senior Vice President of its Aviation and Investment Group from 2008 to 2011 and was the Chief Financial Officer of ORIX Aviation Systems Limited in Ireland from 2005 to 2008. In 1999, he joined ORIX's Aircraft Group as Assistant Manager and left the group as Vice President in 2005. From 1994 to 1999, he was attached to ORIX USA Corporation as its Assistant Vice President. He first joined ORIX as an associate from 1988 to 1993 in its International Department and subsequently in its International Finance Department.

He holds a Bachelor of Liberal Arts in Humanities from the International Christian University, Mitaka-city in Tokyo obtained in 1988 and completed the International MBA (Master of Business Administration) Course Program as a visiting scholar at the University of Washington in 1994.

9.1.4 Audit Committee

The members of our Audit Committee as at the date of this Prospectus are:

Name	Position	Date of appointment	Directorship
Dato' Yusli Bin Mohamed Yusoff	Chairman	13 May 2013	Independent Non-Executive Director
Tan Sri Asmat Bin Kamaludin	Member	13 May 2013	Independent Non-Executive Director
Lim Kian Onn	Member	13 May 2013	Non-Independent Non-Executive Director

Our Audit Committee comprises 3 Directors, all of whom are non-executive Directors of which 2 are independent non-executive Directors. Our Audit Committee was established by our Board to assist our Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of our Company including:

(i) to evaluate the quality of the audit conducted by our Company's internal and external auditors;

(ii) to provide assurance that the financial information presented by our management is relevant, reliable and timely;

(iii) to assess whether the financial reporting of our Group and our Company present a true and fair view of both our Group's and our Company's financial position and performance;

(iv) to oversee our compliance with laws and regulations and observance of a proper code of conduct;

(v) to review and monitor the adequacy and integrity of our Company's system of internal control and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines;

(vi) to consider and evaluate any related party transactions or conflict of interest situations that may arise within our Company and our Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(vii) to review the risk management framework of our Group and our Company to ensure the existence of effective risk management policies and controls to monitor and manage all financial and non-financial risks; and

(viii) to review our Company's procedures for detecting fraud and whistle blowing.

Under our Audit Committee's terms of reference, all members must be non-executive Directors with a majority of independent Directors. Furthermore, all members of our Audit Committee shall be financially literate with at least 1 of whom shall be a member of the Malaysian Institute of Accountants ("**MIA**") or, if he or she is not a member of MIA, he or she must have at least 3 years working experience and must:

(i) have passed certain examinations under the Accountants Act 1967; or

(ii) be a member of one of the associations of accountants specified in the Accountants Act 1967; or

(iii) fulfil such other requirements as prescribed or approved by Bursa Securities.

Furthermore, the Chairman of our Audit Committee shall be an independent Director appointed by our Board, based on the recommendation of the Nomination Committee.

Our Board, with the concurrence of our Audit Committee, believes that the system of internal controls maintained by our Company's management is adequate to safeguard against financial, operational and compliance risks.

9.1.5 Remuneration Committee

The members of our Remuneration Committee as at the date of this Prospectus are:

Name	Position	Date of appointment	Directorship
Tan Sri Rafidah Aziz	Chairman	13 May 2013	Independent Non-Executive Director
Dato' Kamarudin Bin Meranun	Member	13 May 2013	Non-Independent Non-Executive Director
Tan Sri Asmat Bin Kamaludin	Member	13 May 2013	Independent Non-Executive Director

Our Remuneration Committee comprises 3 Directors, all of whom are non-executive Directors of which 2 are independent non-executive Directors. Our Remuneration Committee was established by our Board to assist our Board in setting the policy for our Directors' and our Chief Executive Officer's remuneration and within the terms of such policy, to determine the specific remuneration packages of our Directors and our Chief Executive Officer.

The key responsibilities of our Remuneration Committee, amongst others, include:

(i) to review annually and recommend to our Board the overall remuneration policy for our Directors and our Chief Executive Officer;

(ii) to make recommendations to our Board on individual remuneration packages for our executive Directors and our Chief Executive Officer and ensuring that such remuneration packages are competitive, fair and not excessive;

(iii) to review annually the performance of our Directors and our Chief Executive Officer and recommending to our Board specific adjustments in remuneration and/or reward payment, if any;

(iv) to at least annually review its own performance and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes necessary to our Board; and

(v) to ensure adequate disclosure of our Directors' remuneration for the financial year in our Company's annual report in accordance with the Listing Requirements.

Under our Remuneration Committee's terms of reference, a member shall abstain from participating in discussions and decisions on any matters involving his or her remuneration.

9.1.6 Nomination Committee

The members of our Nomination Committee as at the date of this Prospectus are:

Name	Position	Date of appointment	Directorship
Tan Sri Rafidah Aziz	Chairman	13 May 2013	Independent Non-Executive Director
Tan Sri Dr. Anthony Francis Fernandes	Member	13 May 2013	Non-Independent Non-Executive Director
Dato' Yusli Bin Mohamed Yusoff	Member	13 May 2013	Independent Non-Executive Director

Our Nomination Committee comprises 3 Directors, all of whom are non-executive Directors of which 2 are independent non-executive Directors. Our Nomination Committee was established by our Board to assist our Board to conduct regular review of the structure, size and composition of our Board and make recommendations of any proposed changes to our Board. The primary responsibilities of our Nomination Committee are:

(i) to recommend to our Board the minimum requirements for our Board taking into account mix of skills, knowledge, experience, qualification and other core competencies;

(ii) to assess and recommend to our Board, nomination for membership to our Board and our Board committee members;

(iii) to assess and evaluate the overall composition of our Board, the balance between executive, non-executive and independent Directors, the required mix of skills, experience and other qualities, including core competencies which non-executive Directors should bring to the Board, the desirable number of independent Directors, the renewal of existing directorships, and the possible representation of interest groups on our Board;

(iv) to recommend to our Board the removal of Director(s) if the Director(s) is found ineffective, errant or negligent in discharging his or her duties;

(v) to establish a mechanism for the formal annual assessment of the effectiveness of our Board as a whole and the contribution of each Director to the effectiveness of our Board based on objective performance criteria, in line with established key performance indicators, as approved by our Board;

(vi) to recommend and ensure all Directors receive appropriate continuous training in order to maintain an adequate level of competency to discharge their roles; and

(vii) to oversee the appointment, management succession planning and performance evaluation of our Board.

9.1.7 Shareholding of our Directors in our Company

The following table sets out the direct and indirect shareholdings of each of our Directors before and after our IPO (assuming full subscription of the Issue Shares reserved for the Eligible Persons under our IPO).

	Before the IPO				After the IPO			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%
Tan Sri Rafidah Aziz	-	-	-	-	100	*	-	-
Dato' Kamarudin Bin Meranun	66,356	3.7	1,254,749[(1)]	70.5	66,456	2.8	1,143,016[(1)]	48.1
Tan Sri Dr. Anthony Francis Fernandes	35,224	2.0	1,254,749[(1)]	70.5	35,324	1.5	1,143,016[(1)]	48.1
Dato' Seri Kalimullah Bin Masheerul Hassan	16,070	0.9	-	-	16,170	0.7	-	-
Kiyoshi Fushitani	-	-	-	-	100	*	-	-
Shan-E-Abbas Ashary	-	-	-	-	100	*	-	-
Dato' Fam Lee Ee	-	-	-	-	100	*	-	-
Lim Kian Onn	16,070	0.9	-	-	16,170	0.7	-	-
Tan Sri Asmat Bin Kamaludin	-	-	-	-	100	*	-	-
Dato' Yusli Bin Mohamed Yusoff	-	-	-	-	100	*	-	-
Asher Noor	-	-	-	-	100	*	-	-
Kiyotaka Tanaka	-	-	-	-	100	*	-	-

Notes:

* *Negligible, less than 0.01%.*

(1) Deemed interest by virtue of their shareholding interests in Aero Ventures Sdn Bhd and AirAsia Berhad pursuant to Section 6A of the Companies Act.

Notwithstanding the subscription for the Issue Shares reserved for Eligible Persons under our IPO as set out in Section 4.3.4 of this Prospectus, our Directors may subscribe for Issue Shares under the Retail Offering. In addition, subject to the terms of our ESOS, our Directors are eligible to be offered and granted options over new Shares, the number of which will be determined in accordance with the By-Laws. Please refer to Section 4.5 of this Prospectus for further details of our ESOS. The By-Laws are also set out in Annexure B of this Prospectus.

9.1.8 Remuneration and Material Benefits-In-Kind of our Directors and Chief Executive Officer

The aggregate remuneration and material benefits-in-kind of our Directors and Chief Executive Officer for the year ended 31 December 2012 and estimated for the current year ending 31 December 2013 are as follows:

	Remuneration band	
	Year ended 31 December 2012 (Actual)	**Year ending 31 December 2013 (Estimate)**
Name	**RM**	**RM**
Directors		
Tan Sri Rafidah Aziz	RM100,000 to RM150,000	RM100,000 to RM150,000
Dato' Kamarudin Bin Meranun	-	-
Tan Sri Dr. Anthony Francis Fernandes	-	-
Dato' Seri Kalimullah Bin Masheerul Hassan	-	-
Kiyoshi Fushitani	-	-
Shan-E-Abbas Ashary	-	-
Dato' Fam Lee Ee	-	-
Lim Kian Onn	-	-
Tan Sri Asmat Bin Kamaludin	-	Below RM50,000
Dato' Yusli Bin Mohamed Yusoff	-	Below RM50,000
Asher Noor	-	-
Kiyotaka Tanaka	-	-
Chief Executive Officer		
Azran Bin Osman Rani	RM1,150,000 to RM1,200,000	RM1,300,000 to RM1,350,000

As set out in our Articles, the fees payable to our Directors shall from time to time be determined by our Company in a general meeting provided that:

(i) fees payable to non-executive Directors must be based on a fixed sum and not by a commission on or a percentage of profits or turnover;

(ii) salaries payable to executive Directors, may not include a commission on or a percentage of turnover;

(iii) all fees paid to Directors shall be deemed to accrue from day to day;

(iv) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where appropriate notice of the proposed increase has been given; and

(v) any fee paid to an alternate Director must be agreed with the Director nominating him or her and must be paid out of the remuneration of the nominating Director.

Save for our independent non-executive Directors, no remuneration and/or benefits-in-kind were paid/are to be paid to our Directors as stated above, as they are all non-executive and are either our shareholders and/or represent our corporate shareholders. The remuneration package for each of our independent non-executive Directors and our Chief Executive Officer as detailed above are subject to annual review by our Remuneration Committee.

9.1.9 Principal Directorships and Principal Business Activities of our Directors and Chief Executive Officer Outside our Group

The following table sets out the principal directorships of our Directors and Chief Executive Officer outside our Group as at the LPD and those that were held within 5 years prior to the LPD, as well as their involvement in principal business activities outside of our Group as at the LPD:

Name	Directorships	Involvement in business activities other than as a director
Directors		
Tan Sri Rafidah Aziz	*Present directorships* • Pinewood Iskandar Malaysia Studios Sdn Bhd • Megasteel Sdn Bhd • MEF Berhad *Past directorships* • Yayasan Pelaburan Bumiputra • Asia Logistics Council Sdn Bhd • The Partnership for Equitable Growth • Integrated Strategic Communications Sdn Bhd	None
Dato' Kamarudin Bin Meranun	*Present directorships* • AirAsia Berhad • AAE Travel Pte Ltd • AirAsia Go Holiday Sdn Bhd • AirAsia Go Holiday Co. Ltd • AirAsia Inc. • AirAsia Japan Co. Ltd • AirAsia (Mauritius) Ltd • AirAsia Philippines Inc. • Thai AirAsia Co. Ltd • Kuala Lumpur Education City Sdn Bhd • Red Podium Sdn Bhd • Tune Ins Holdings Berhad • Tune Group Sdn Bhd	• Deputy Group Chief Executive Officer and President of Group Finance, Treasury, Corporate Finance and Legal, AirAsia ASEAN Inc. • Executive Director, Intrinsic Capital Management Sdn Bhd

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

Name	Directorships	Involvement in business activities other than as a director
	• Tune Service Sdn Bhd • Tune QPR Sdn Bhd • Tune Studios Sdn Bhd • Tune Talk Sdn Bhd • Tune Tones Sdn Bhd • Tune Box Sdn Bhd • Tune Live Sdn Bhd • TuneAsia.com Sdn Bhd • Dragonback Media Interactive Sdn Bhd • INCAM Corporation Sdn Bhd • INCAM Global Sdn Bhd • Caterham Ventures Sdn Bhd • 1Malaysia Racing Team Sdn Bhd • Pacific Gem Sdn Bhd • Intrinsic Capital Management Sdn Bhd • Sofa Al Azhar Sdn Bhd • INCAM Consulting Sdn Bhd • Meranun Sdn Bhd • INCAM Resources Sdn Bhd • INCAM Equity Sdn Bhd • Chestar Properties Sdn Bhd • Tune Air Sdn Bhd • Domeplex Consolidated Sdn Bhd • Tune Longhaul Sdn Bhd • Muncul Juara Sdn Bhd • DCS Energy Sdn Bhd • Caterham Tech (M) Sdn Bhd • Wheatley Sdn Bhd • Tune Money Sdn Bhd • New Haven Resort Sdn Bhd • Raindance Music Sdn Bhd • Educ8 Group Sdn Bhd • All Agile Industries Sdn Bhd • Persian Beauty Sdn Bhd • Aero Ventures Sdn Bhd • CaterhamJet Malaysia Sdn Bhd • Tune Hotels Regional Services Sdn Bhd • Tune Hotels Sdn Bhd • Epsom College Malaysia Sdn Bhd • Yayasan Pendidikan Titiwangsa • Tune Group.com Limited • QPR Holdings Limited • The Queens Park Rangers Football and Athletic Club Limited • Due Voci LLC • Tune Hotels.Com Limited • Dinato Racing Limited • Caterham Factory Limited	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

Name	Directorships	Involvement in business activities other than as a director
	• Caterham Enterprises Limited • CaterhamJet Holdings Pte Ltd • Caterham Merchandising Limited • Caterham Technology and Innovation Limited • EQ8 Limited • Caterham Cars Group Limited • 1Malaysia Racing Team (UK) Limited • Caterham Composites Limited • CJS Aviation Pte Ltd *Past directorships* • Tune Sport Sdn Bhd • Tune Retail Sdn Bhd • Remit Master Sdn Bhd • Forum 88 Sdn Bhd • Tune Properties Sdn Bhd • Tune Hotels Real Estate Sdn Bhd (as alternate director) • Tune Café Sdn Bhd • Malaysian Airline System Berhad • Tune Ventures Sdn Bhd *(under members' voluntary liquidation)* • Tune Hotels.com Capital Partners Limited • Tune Hotels Real Estates Pte Ltd • Nescorp Resources Sdn Bhd	
Tan Sri Dr. Anthony Francis Fernandes	*Present directorships* • Star Publications (Malaysia) Berhad • AirAsia Berhad • Asian Aviation Centre of Excellence Sdn Bhd • Asian Contact Centres Sdn Bhd • AAE Travel Pte Ltd • AirAsia Exp Pte Ltd • AirAsia Go Holiday Sdn Bhd • AirAsia Go Holiday Co. Ltd • AirAsia Inc. • AirAsia Japan Co. Ltd • AirAsia (Mauritius) Ltd • AirAsia Philippines Inc. • Crunchtime Culinary Services Sdn Bhd • Thai AirAsia Co. Ltd	• Group Chief Executive Officer, AirAsia ASEAN Inc.

Name	Directorships	Involvement in business activities other than as a director
	• Kuala Lumpur Education City Sdn Bhd • Tune Group Sdn Bhd • Tune Service Sdn Bhd • Tune QPR Sdn Bhd • Tune Studios Sdn Bhd • Tune Talk Sdn Bhd • Tune Tones Sdn Bhd • Tune Box Sdn Bhd • Tune Live Sdn Bhd • TuneAsia.com Sdn Bhd • Dragonback Media Interactive Sdn Bhd • Tune Air Sdn Bhd • Tune Money Sdn Bhd • Tune Ins Holdings Berhad • Tune Longhaul Sdn Bhd • Caterham Tech (M) Sdn Bhd • Aero Ventures Sdn Bhd • 1Malaysia Racing Team Sdn Bhd • Educ8 Group Sdn Bhd • Caterham Ventures Sdn Bhd • CaterhamJet Malaysia Sdn Bhd • Epsom College Malaysia Sdn Bhd • Tune Hotels Sdn Bhd • Tune Hotels Regional Services Sdn Bhd • Mahathir Science Award Foundation • Yayasan Satu Malaysia • 1Malaysia Racing Team (UK) Ltd • Amulya Property Limited • Asia IP Ventures Pte Ltd • Caterham Cars Group Limited • Caterham Composites Limited • Caterham Enterprises Limited • Caterham Factory Limited • CaterhamJet Holdings Pte Ltd • Caterham Merchandising Limited • Caterham Technology and Innovation Limited • Dinato Racing Limited • Dublin Aerospace Limited • Due Voci LLC • EQ8 Limited • The Queens Park Rangers Football and Athletic Club Limited • Tune Group.com Limited	

Name	Directorships	Involvement in business activities other than as a director
	• Tune Hotels.Com Limited • Merlot 73 Limited • QPR Holdings Limited • Think Big Digital Sdn Bhd *Past directorships* • Tune Café Sdn Bhd • Tune Hotels Real Estate Sdn Bhd • ASV Services Sdn Bhd (formerly known as Asean Basketball League Sdn Bhd) • Forum 88 Sdn Bhd • Tune Properties Sdn Bhd • Tune Sport Sdn Bhd • Tune Retail Sdn Bhd • Malaysian Airline System Berhad • Tune Ventures Sdn Bhd *(under members' voluntary liquidation)* • Tune Hotels.com Capital Partners Limited • Tune Hotels Real Estates Pte Ltd	
Dato' Seri Kalimullah Bin Masheerul Hassan	*Present directorships* • ECM Libra Financial Group Berhad • ECM Libra Partners Sdn Bhd • ECM Libra Holdings Limited • ECM Libra Investment Bank Limited • Tune Hotels Sdn Bhd • Tune Money Sdn Bhd • Tune Hotels.Com Limited • Tune Hotels.com Capital Partners Ltd • Tulus Tenaga Sdn Bhd • Aero Ventures Sdn Bhd • Smart Metric Sdn Bhd • Universal Control Systems (M) Sdn Bhd • Palma Indigo Sdn Bhd • ECM Libra Holdings Sdn Bhd • Vincenzo Ristorante Sdn Bhd • Libra Capital Management Sdn Bhd • Old Rangoon Arts Sdn Bhd • ECM Libra Foundation • Positive Carry Sdn Bhd • DSK – UPP Holdings Limited	None

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

Name	Directorships	Involvement in business activities other than as a director
	Past directorships • Taylor's College Sdn Bhd • Multimedia Development Corporation Sdn Bhd • ECM Libra Capital Sdn Bhd • Asian New Century Capital Sdn Bhd • Taylor's Education Sdn Bhd • The New Straits Times Press (Malaysia) Bhd • ECM Libra Investment Bank Berhad • Ekowood International Berhad • ECM Libra Berhad • PT Graha Sahari Multitalenta • TYK Capital Sdn Bhd	
Kiyoshi Fushitani	*Present directorships* • Tune Hotels.Com Limited • Asia Strategic Capital Fund GP, Ltd. • ORIX-ECB (Cayman) Inc. • Island Reinsurance Corporation • Alioth Shipping Corporation • Marion Corporation • ORIX Leasing Singapore Limited • ORIX Investment and Management Private Limited • IL&FS Asian infrastructure Managers Limited • DI Investment Partners Limited • Younex Enterprises Corporation • Orient Infrastructure Asset Managers Limited • Mimoza Company Limited • Nandina Property Limited • ORIX Property (China) Limited • ORIX Towers (China) Limited • Mimoza (HK) Company Limited • Nandina (HK) Company Limited *Past directorships* • ORIX Leasing Pakistan Limited • ORIX Polska S.A. • ORIX Auto Leasing Taiwan Corporation • ORIX Enterprise Corporation	None

Name	Directorships	Involvement in business activities other than as a director
	• ORIX Auto Leasing (Thailand) Co., Ltd. • ORIX Capital Korea Corporation • Thai ORIX Leasing Co., Ltd. • Capital OK Company, Ltd. • Infrastructure Leasing & Financial Services Limited (as alternate director) • ORIX Auto Infrastructure Servises Limited • Lanka ORIX Leasing Company Limited • National Life & General Insurance Company SAOC • OMLF Servicer Corporation, Inc. • ORIX Glorious Stars (SPV-AMC), Inc. • ORIX Australia Corporation Limited • ORIX Asia Limited (as alternate director) • ORIX Investment Corporation	
Shan-E-Abbas Ashary	*Present directorships* • Norsk Titanium Components AS E3 FZ LLC • CapitalStone Holding Limited Company • HSBC Amanah Aqar Income Fund • NGP V Fund LLC • Karachi Electric Supply Company Ltd *Past directorships* • Nil	• Head of International Investments of Al-Jomaih Holding Company
Dato' Fam Lee Ee	*Present directorships* • AirAsia Berhad *Past directorships* • M-Mode Berhad • Yayasan Pejati • Future Rail Sdn Bhd • Bagus Pesona Sdn Bhd • Kurnia Insurans (Malaysia) Berhad • Skyserv (M) Sdn Bhd • Hibuwawasan Sdn Bhd *(dissolved)*	• Managing Partner of Messrs YF Chun Fam and Yeo, Advocates and Solicitors
Lim Kian Onn	*Present directorships* • ECM Libra Financial Group Berhad • ECM Libra Foundation • Plato Capital Limited	None

Name	Directorships	Involvement in business activities other than as a director
	• ECM Libra Partners Sdn Bhd • ECM Libra Holdings Limited • ECM Libra Investment Bank Limited • Libra Capital Management Sdn Bhd • Sideflex Sdn Bhd • Libra Options & Financial Futures Sdn Bhd • Libra Capital Advisors Sdn Bhd • Prosperous Millennium Sdn Bhd • Libra Capital Sdn Bhd • Libra Capital Markets International Ltd • Libra Asia Securities Limited • Libra Capital Markets Ltd • Libra Capital (Asia) Ltd • Aero Ventures Sdn Bhd • Tulus Tenaga Sdn Bhd • Tune Hotels Sdn Bhd • Tune Hotels.Com Limited • Tune Hotels.com Capital Partners Ltd • Tune Money Sdn Bhd (as alternate director) • Educ8 Group Sdn Bhd *Past directorships* • Tune Hotels Real Estate Sdn Bhd (as alternate director) • Tune Hotels Real Estates Pte Ltd • Orion Avenue Sdn Bhd • ECM Libra Capital Sdn Bhd • Plato Solutions Sdn Bhd • Plato MSC Sdn Bhd • Plato Hong Kong Ltd • ECM Libra Berhad • ECM Libra Securities Limited • ECM Libra Holdings Sdn Bhd • ECM Libra Investment Bank Berhad • Plato Private Limited	
Tan Sri Asmat Bin Kamaludin	*Present directorships* • Compugates Holdings Berhad • Lion Industries Corporation Berhad • Panasonic Manufacturing Malaysia Berhad • Scomi Group Berhad	• Governor on the Governing Board of Economic Research Institute for ASEAN and East Asia • Trustee of Lejadi Foundation

Name	Directorships	Involvement in business activities other than as a director
	• UMW Holdings Berhad • UMW Oil & Gas Corporation Berhad *(appointed 2 May 2013)* • Permodalan Nasional Berhad • The Royal Bank of Scotland Berhad • Pen Apparel Sdn Bhd • Penfibre Sdn Bhd • Perodua Auto Corporation Sdn Bhd • UMW Toyota Motor Sdn Bhd • UMW Corporation Sdn Bhd • Perusahaan Otomobil Kedua Sdn Bhd • Panasonic AVC Networks Kuala Lumpur Malaysia Sdn Bhd • Panasonic AVC Networks Johor Malaysia Sdn Bhd • Panasonic Industrial Devices Malaysia Sdn Bhd (formerly known as Panasonic Electronic Devices Malaysia Sdn Bhd) • Panasonic Malaysia Sdn Bhd • Panasonic Appliances Air-Conditioning Malaysia Sdn Bhd (formerly known as Panasonic HA Air-Conditioning (M) Sdn Bhd) • DSA Exhibition and Conference Sdn Bhd • Malaysian Exhibition Services Sdn Bhd • NAZA TTDI Sdn Bhd • YTL Cement Berhad • JACTIM Foundation • Federation of Malaysian Manufacturers • Malaysia-Japan Economic Association • Mayang Ulung Sdn Bhd *Past directorships* • Tasco Express Sdn Bhd *(resigned 22 May 2013)* • Carlsberg Brewery Malaysia Berhad • CH Offshore Ltd • Kombinasi Restu (M) Sdn Bhd • Kompas Wira Sdn Bhd • Rata Awana Sdn Bhd • Malaysian Pacific Industries Berhad *(resigned 31 May 2013)*	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

Name	Directorships	Involvement in business activities other than as a director
	• TASCO Berhad (formerly known as Trans-Asia Shipping Corporation Berhad) *(resigned 31 May 2013)* • Scomi Energy Services Bhd (formerly known as SCOMI Marine Berhad) *(resigned 31 May 2013)* • Symphony House Berhad *(resigned 31 May 2013)*	
Dato' Yusli Bin Mohamed Yusoff	*Present directorships* • Asian Institute of Finance Berhad • Australasia Resources and Minerals Berhad • Corvettes (M) Sdn Bhd (as alternate director) • Dato' H.M. Shah Foundation • Efico Services Sdn Bhd • E-mam Kapitan Sdn Bhd • Esperanza Management Advisors Sdn Bhd • Mudajaya Group Berhad • Mulpha International Berhad • Pelaburan MARA Bhd • Saffron International Sdn Bhd • Tiretech Sdn Bhd • Twinpac Automotive Parts Sdn Bhd • YTL Power International Berhad • Esperanza Holdings Ltd • Westports Holdings Sdn Bhd • Desiran Johan Sdn Bhd *Past directorships* • Ansar Perkasa Sdn Bhd • Bursa Securities • Bursa Depository • Bursa Malaysia Bonds Sdn Bhd • Bursa Malaysia Depository Nominees Sdn Bhd • Bursa Malaysia Derivatives Berhad • Bursa Malaysia Derivatives Clearing Berhad • Bursa Malaysia Information Sdn Bhd • Bursa Malaysia Islamic Services Sdn Bhd • Bursa Malaysia Securities Clearing Sdn Bhd • Capital Market Development Fund	*Past involvement* • Chief Executive Officer of Bursa Malaysia Berhad

Name	Directorships	Involvement in business activities other than as a director
	• CIMB Securities Sdn Bhd • Essex Alliance Sdn Bhd • Imadan Maju Sdn Bhd • Labuan International Finance Exchange Inc. • Metrofirst Capital Sdn Bhd • Pendidikan Industri YS Sdn Bhd • Yayasan Bursa Malaysia • Securities Industry Development Corporation • DH Flinders Sdn Bhd • Integrated Strategic Communications Sdn Bhd • ZRE Private Equity Sdn Bhd	
Kiyotaka Tanaka	*Present directorships* • Island Reinsurance Corporation • ORIX Aviation Systems Limited • ORIX Aircraft Corporation *Past directorships* • Ireland Asset Management Limited • Tune Hotels.Com Limited (as alternate director)	• Oversight of the aircraft leasing businesses of ORIX Corporation
Asher Noor	*Present directorships* • Tapal (Pvt) Limited • Bayader Al Aryaf Telecommunication System Company • Ajeej Capital (DIFC) Limited *Past directorships* Nil	• Chief Financial Officer of AlTouq Group
<u>Chief Executive Officer</u> Azran Bin Osman Rani	*Present directorships* • Malaysian Tourism Promotion Board (Tourism Malaysia) • PT XL Axiata Tbk • AAX Management Equity Sdn Bhd *Past directorships* Nil	Nil

Our Directors believe their involvement in other directorships and business activities outside our Group will not affect their contribution to our Group as they are all non-executive Directors and are not involved in the day-to-day operations of our Group. Furthermore, apart from that disclosed in Section 9.1.10 of this Prospectus, our Directors are not involved in any business activities that are of a similar trade as our Group.

9.1.10 Involvement of Our Directors in Other Businesses or Corporations Which Carry On a Similar Trade or Which Are Our Customers or Suppliers

Saved as disclosed below, as at the LPD, none of our Directors had any interest, direct or indirect, in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers:

Name	Businesses / Corporations	Nature of interest	Direct interest (%)	Indirect interest (%)
Tan Sri Dr. Anthony Francis Fernandes	*Similar trade as that of our Group*			
	• AirAsia Berhad and its affiliates[1]	• Director and indirect substantial shareholder	0.1	23.0 [2]
	Our service providers			
	• AirAsia Berhad	• Director and indirect substantial shareholder	0.1	23.0 [2]
	• Tune Box Sdn Bhd	• Director and indirect substantial shareholder	-	76.3 [3]
	• Tune Ins Holdings Berhad	• Director and indirect substantial shareholder	- [7]	72.0 [4]
	• Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad)	• Indirect substantial shareholder	-	83.3 [5]
	• Asian Aviation Centre of Excellence Sdn Bhd	• Director and indirect substantial shareholder	-	50.0 [6]
	• AAE Travel Pte Ltd	• Director and indirect substantial shareholder	-	50.0 [6]
	• Asian Contact Centres Sdn Bhd	• Director and indirect substantial shareholder	-	50.0 [6]
	• CaterhamJet Global Ltd	• Indirect substantial shareholder	-	50.0 [7]
	• Thai AirAsia Co. Ltd	• Indirect substantial shareholder	-	45.0 [6]
	Our service recipients			
	• AirAsia Berhad	• Director and indirect substantial shareholder	0.1	23.0 [2]
	• PT Indonesia AirAsia	• Indirect substantial shareholder	-	48.9 [6]
	• Thai AirAsia Co. Ltd	• Indirect substantial shareholder	-	45.0 [6]
	• AirAsia Inc.	• Director and indirect substantial shareholder	-	40.0 [6]
	• AirAsia Japan Co. Ltd	• Director and indirect substantial shareholder	-	49.0 [6]
Dato' Kamarudin Bin Meranun	*Similar trade as that of our Group*			
	• AirAsia Berhad and its affiliates[1]	• Director and indirect substantial shareholder	0.1	23.0 [2]
	Our service providers			
	• AirAsia Berhad	• Director and indirect substantial shareholder	0.1	23.0 [2]
	• Tune Box Sdn Bhd	• Director and indirect substantial shareholder	-	76.3 [3]

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

Name	Businesses / Corporations	Nature of interest	Direct interest (%)	Indirect interest (%)
	• Tune Ins Holdings Berhad	• Indirect substantial shareholder	-[7]	72.0 [4]
	• Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad)	• Indirect substantial shareholder	-	83.3 [5]
	• Asian Aviation Centre of Excellence Sdn Bhd	• Indirect substantial shareholder	-	50.0 [6]
	• AAE Travel Pte Ltd	• Director and indirect substantial shareholder	-	50.0 [6]
	• Asian Contact Centres Sdn Bhd	• Indirect substantial shareholder	-	50.0 [6]
	• CaterhamJet Global Ltd	• Indirect substantial shareholder	-	50.0 [7]
	• Thai AirAsia Co. Ltd	• Indirect substantial shareholder	-	45.0 [6]
	Our service recipients			
	• AirAsia Berhad	• Director and indirect substantial shareholder	0.1	23.0 [2]
	• PT Indonesia AirAsia	• Indirect substantial shareholder	-	48.9 [6]
	• Thai AirAsia Co. Ltd	• Indirect substantial shareholder	-	45.0 [6]
	• AirAsia Inc.	• Director and indirect substantial shareholder	-	40.0 [6]
	• AirAsia Japan Co. Ltd	• Director and indirect substantial shareholder	-	49.0 [6]
Dato' Fam Lee Ee	*Similar trade as that of our Group*			
	• AirAsia Berhad and its affiliates[1]	• Director	-[8]	-
	Our service providers			
	• AirAsia Berhad	• Director	-[8]	-
	• Asian Aviation Centre of Excellence Sdn Bhd	• Director of AirAsia Berhad, a 50.0%-shareholder of Asian Aviation Centre of Excellence Sdn Bhd	-	-
	• AAE Travel Pte Ltd	• Director of AirAsia Berhad, a 50.0%-shareholder of AAE Travel Pte Ltd	-	-
	• Asian Contact Centres Sdn Bhd	• Director of AirAsia Berhad, a 50.0%-shareholder of Asian Contact Centres Sdn Bhd	-	-
	• Thai AirAsia Co. Ltd	• Director of AirAsia Berhad, a 45.0%-shareholder of Thai AirAsia Co. Ltd	-	-
	Our service recipients			
	• AirAsia Berhad	• Director	-[8]	-
	• PT Indonesia AirAsia	• Director of AirAsia Berhad, a 48.9%-shareholder of PT Indonesia AirAsia	-	-

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

Name	Businesses / Corporations	Nature of interest	Direct interest (%)	Indirect interest (%)
	• Thai AirAsia Co. Ltd	• Director of AirAsia Berhad, a 45.0%-shareholder of Thai AirAsia Co. Ltd	-	-
	• AirAsia Inc.	• Director of AirAsia Berhad, a 40.0%-shareholder of AirAsia Inc.	-	-
	• AirAsia Japan Co. Ltd	• Director of AirAsia Berhad, a 49.0%-shareholder of AirAsia Japan Co. Ltd	-	-

Notes:

(1) *Being AirAsia Berhad, its subsidiaries, joint venture companies and associate companies and other companies using the "AirAsia" brand name, taken as a whole, except for AirAsia X.*

(2) *Deemed interest by virtue of their shareholding interests in Tune Air Sdn Bhd pursuant to Section 6A of the Companies Act.*

(3) *Deemed interest by virtue of their indirect shareholding interests in Caterham Technology and Innovation Limited pursuant to Section 6A of the Companies Act.*

(4) *Deemed interest by virtue of their indirect shareholding interests in Tune Money Sdn Bhd and AirAsia Berhad pursuant to Section 6A of the Companies Act.*

(5) *Deemed interest by virtue of their indirect shareholding interests in Tune Ins Holdings Berhad pursuant to Section 6A of the Companies Act.*

(6) *Deemed interest by virtue of their indirect shareholding interests in AirAsia Berhad pursuant to Section 6A of the Companies Act.*

(7) *Deemed interest by virtue of their shareholding interests in Tune Group Sdn Bhd, the 100% holding company of CaterhamJet Global Ltd.*

(8) *Negligible.*

Please refer to Section 11.1.3 of this Prospectus for further details, including mitigating factors, on the involvement of AirAsia Berhad and its affiliates in a similar trade as that of our Group.

9.2 Key Management

9.2.1 Our Key Management Team

Our key management team comprises:

Name	Age	Designation	Approximate no. of years with us
Azran Bin Osman Rani	41	Chief Executive Officer	6
Moses Devanayagam	62	Operations Director	6
Senthil Balan A/L Danapalan	36	Commercial Director	6
Azhanudin Shah Bin Azman	45	Flight Operations Director	6
Shelina Binti Razaly Wahi	39	Legal and Regulatory Affairs Director	6
Noraesyah Yvonne Binti Abdullah	41	Chief Financial Officer	3
Nadiah Tan Binti Abdullah	44	People Director	3

9.2.2 Biographies of our Key Management

Azran Bin Osman Rani, Malaysian, joined us in July 2007 as our Chief Executive Officer. He led our start-up team that developed the business plan, raised capital, secured relevant licences and approvals, acquired aircraft and launched our inaugural flight to the Gold Coast, Australia in November 2007. He was also appointed by the Malaysian Minister of Tourism to the Board of Directors of the Malaysian Tourism Promotion Board (Tourism Malaysia) in May 2011.

Prior to his appointment, he was the Senior Director of Business Development from 2004 to 2007 at Astro All Asia Networks plc ("**Astro**"), a leading Asian digital satellite television and radio broadcaster, where he led the start-up and operational launch of Astro's international investments and joint ventures across Southeast Asia, India and Greater China. At Astro, he had oversight management responsibility for a portfolio of over USD300 million invested in these businesses. He was formerly with Bursa Malaysia Berhad from 2003 to 2004 as Senior Vice President, Special Projects where he was responsible for the implementation of the Kuala Lumpur Stock Exchange demutualisation program and business/organisation transformation. Previously from 2000 to 2003, he was an Associate Partner of McKinsey & Company, an international management consultancy, where he co-led its Southeast Asia Corporate Finance & Strategy serving clients across Asia Pacific. He started his career in management consultancy in 1995 with Booz Allen & Hamilton (now known as Booz & Company) where he left as a Lead Consultant in 2000.

He holds a Masters degree in Management Science obtained in 1995 and a Bachelors degree in Electrical Engineering obtained in 1994, both from Stanford University. He is a Fellow, CPA Australia.

Moses Devanayagam, Malaysian, joined our company in July 2007 as our Head of Operations and is currently our Operations Director. He has been instrumental in setting up our Operations Department and has 3 departments reporting to him, namely (i) Engineering, (ii) Ground Operations including Station Management and (iii) Inflight Services and Flight Operations. He is responsible for managing the entire daily operations of our Company, including engineering, flight operations, ground operations, inflight operations, cargo operations, safety operations and security operations.

Moses Devanayagam is also directly involved in overseeing the safe and efficient maintenance and upkeep of our Company's fleet of aircraft and other supporting resources under the Engineering Department as the post of Engineering Director was recently left vacant.

He has 40 years of experience in the aviation industry having worked at Malaysia-Singapore Airlines from 1971 to 1972 as an Apprentice and subsequently Malaysia Airline System Berhad from 1972 to 2007 where he held various key positions, including General Manager – Operations, Head of Contracts Management and Warranty and Contracts Controller.

He has been an Associate Member of the Royal Aeronautical Institute United Kingdom (by award) since 1975, completed a cadet/apprentice technical services in-house training program with Malaysia-Singapore Airlines in 1974 and has completed type-rating courses at Qantas and Air New Zealand in 1972 and 1973, respectively.

Senthil Balan A/L Danapalan, Malaysian, joined us as Head of Network Planning in April 2007, responsible for route planning, bilateral management, destination concessions, regulatory licence and compliance, fleet and schedule management. He was promoted in February 2012 to his current role as Commercial Director adding on the scope of revenue management, sales and marketing.

Prior to joining us, he was attached to the Turnaround Office of Malaysia Airlines System Berhad ("**MAS**") established in late 2005. His role in the Turnaround Office was to coordinate a company-wide cost reduction program across 12 divisions and 75 geographic locations. He started at MAS as Head of Investor Relations. Prior to MAS, Senthil Balan A/L Danapalan was a member of the corporate finance team at Astro, and was part of the core working group that concluded Astro's initial public offering on the Kuala Lumpur Stock Exchange (now known as Bursa Securities) in October 2003.

Senthil Balan A/L Danapalan graduated from the University of Auckland in 2000 with a Bachelor of Commerce degree majoring in Accounting and International Business.

Azhanudin Shah Bin Azman, Malaysian, joined us in August 2007 as Flight Operations Director. His current key responsibilities are directing the execution of policies and procedures, ensuring all activities of the flight department, including flight operations, personnel and equipment comply with prescribed standards.

He started out as a trained pilot with MAS in 1989, moving on to hold senior roles such as Instructor Pilot and Examiner in 1999 and a B737 Fleet Manager in 2000. He was accredited as a Captain on the A330-300 in 2003 and in 2005 he joined Qatar Airways, where he stayed on until he joined us. As at the LPD, Azhanudin Shah Bin Azman had over 10,000 total flying hours, is a qualified airline transport pilot and also specialises as a management pilot for A330-300s and A340-300s.

He obtained his General Certificate of Education (GCE) O-levels from Davies College, London in 1985 and A-levels from Eastbourne College, United Kingdom in 1986.

Shelina Binti Razaly Wahi, Malaysian, joined us in July 2007 as Legal and People Department Director. Upon joining us, she was responsible for all our legal and human resource-related matters. As one of our pioneer team, she was involved in our start-up, including taking delivery of our first aircraft, as well as ensuring that headcount was sufficient and adequately skilled to meet our Company's fast-growth requirements. Over the past 3 years, she has been primarily responsible for overseeing compliance issues, customer service, stakeholder management and insurance. In February 2012, she was given additional responsibility for overseeing airport regulatory matters and was designated Legal and Regulatory Affairs Director.

Prior to joining us, Shelina Binti Razaly Wahi was the Channel Manager of Astro Ceria, Malaysia's first 24-hour kids' channel from September 2006 to July 2007 after a brief break from the legal profession. She was also previously a legal adviser with Shell Malaysia Trading Sdn Bhd from June 2000 to August 2006, dealing in all areas of Shell Malaysia's downstream and mid-stream operations, as well as being the key focal point for all litigation and human resource-related legal matters.

Shelina Binti Razaly Wahi obtained a Bachelor of Laws (Hons) from the University of Bristol in 1995 and completed the Bar Vocational Examination at BPP London in 1996. She is also a member of Lincoln's Inn.

Noraesyah Yvonne Binti Abdullah, Malaysian, joined us in August 2010 as our Chief Financial Officer. She has had nearly 15 years' experience in the telecommunications and leisure industry sectors. Prior to joining us, she was the Chief Operating Officer of Redtone International Berhad, a company listed on the ACE Market of Bursa Securities. She joined Redtone in 2003 as the Assistant General Manager of Finance, Admin and Human Resource before she was promoted to General Manager of Finance, Admin and Human Resource in 2004. She was then promoted to Chief Financial Officer in 2007 and subsequently promoted to Chief Operating Officer in 2008 where she held the position until she joined us in 2010.

As Chief Operating Officer, she had significant exposure in the areas of people development, business development, organisational restructuring, mergers and acquisition including business turn-around. Her other appointments include Internal Auditor for Waterfront Hotel & Casino plc, Philippines from 1994 to 1998. She was also Senior General Manager - Finance for World Equipment Sdn Bhd based in Genting, Malaysia from 1999 to 2002.

She obtained her ACCA (Association of Chartered Certified Accountants) qualification in 1999 from the Financial Training and Management Services College (FTMS) and is a qualified accountant with the Association of Certified Chartered Accountants.

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Nadiah Tan Binti Abdullah, Malaysian, joined us in October 2010 as our People Director. She specialises in organisational development and change management and is focused on driving organisational change, training and development and building talent pipeline with a focus on culture, leadership and talent management initiatives.

She has almost 20 years of diversified work experience in unionised and non-unionised environments with manufacturing/fast moving consumer goods and information technology companies including both local and global companies namely British American Tobacco (Malaysia) Berhad (1996 to 2000), Danone Malaysia Sdn Bhd (2000 to 2003), Nestle (Malaysia) Berhad (2003 to 2007) and Microsoft Malaysia Sdn Bhd (2007 to 2010).

She holds a Bachelor of Arts (Hons) in International Relations (1991) from Staffordshire Polytechnic.

9.2.3 Shareholding of Key Management in Our Company

The following table sets out the direct and indirect shareholdings of each of our key management before and after our IPO (assuming full subscription of the Issue Shares reserved for the Eligible Persons under our IPO).

	Before the IPO				After the IPO				Proposed
	Direct		Indirect		Direct		Indirect		Initial Grant
Name	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of Shares 000	%	No. of ESOS Options 000
Azran Bin Osman Rani	-	-	-	-	10,767	0.5	-	-	-
Moses Devanayagam	-	-	-	-	250	*	-	-	250
Senthil Balan A/L Danapalan	-	-	-	-	3,433	0.1	-	-	1,000
Azhanudin Shah Bin Azman	-	-	-	-	250	*	-	-	1,000
Shelina Binti Razaly Wahi	-	-	-	-	5,433	0.2	-	-	-
Noraesyah Yvonne Binti Abdullah	-	-	-	-	500	*	-	-	1,000
Nadiah Tan Binti Abdullah	-	-	-	-	250	*	-	-	1,000

Note:

* *Negligible, less than 0. 1%.*

Notwithstanding the subscription for the Issue Shares reserved for the Eligible Persons under our IPO as set out in Section 4.3.4 of this Prospectus, our key management may subscribe for Issue Shares under the Retail Offering. In addition, subject to the terms of our ESOS, our key management are also eligible to be offered and granted options over new Shares, the number of which will be determined in accordance with the By-Laws. Please refer to Section 4.5 of this Prospectus for further details of our ESOS. The By-Laws are also set out in Annexure B of this Prospectus.

9.2.4 Principal Business Activities of the Key Management Outside Our Group

Saved as disclosed below, none of our key management were involved in other business activities outside the Group as at the LPD.

Name	Directorships	Involvement in business activities other than as a director
Azran Bin Osman Rani	• Malaysian Tourism Promotion Board (Tourism Malaysia) • PT XL Axiata Tbk • AAX Management Equity Sdn Bhd	None
Azhanudin Shah Bin Azman	• Vertical Target Sdn Bhd	None
Shelina Binti Razaly Wahi	• IMF Network Services (M) Sdn Bhd • Jutapura Sdn Bhd • AAX Management Equity Sdn Bhd • Pancaran Sukma Sdn Bhd (formerly known as Wheels and Wheels Sdn Bhd)	None

Each of our key management with involvement in other business activities have confirmed to us that his or her involvement in the business activities outside our Group do not require his or her involvement in the day-to-day activities and operations of these companies. As such, their involvement in such other directorships or other businesses will neither affect their contribution to the Group nor negatively impact their ability to act as the key management of the Group.

9.2.5 Involvement of Our Key Management In Other Businesses or Corporations Which Carry On a Similar Trade or Which Are Our Customers or Suppliers

None of our key management has any involvement in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers.

9.3 Promoters

Aero Ventures Sdn Bhd, AirAsia Berhad, Dato' Kamarudin Bin Meranun, Tan Sri Dr. Anthony Francis Fernandes, Dato' Seri Kalimullah Bin Masheerul Hassan and Lim Kian Onn are the Promoters for our IPO.

9.3.1 Aero Ventures Sdn Bhd

Aero Ventures Sdn Bhd was incorporated as a private limited company under the Companies Act on 24 August 2006 under the name of Mangkin Masyhur Sdn Bhd. The name of the company was subsequently changed to Aero Ventures Sdn Bhd on 15 January 2007. The principal activity of Aero Ventures Sdn Bhd is investment holding.

As at the LPD, the authorised share capital of Aero Ventures Sdn Bhd was RM5,000,000 comprising 200,000 ordinary shares of RM1.00 each and 480,000,000 redeemable convertible preference shares of RM0.01 each whereas its issued and paid-up share capital is RM1,394,669 comprising 1,741 ordinary shares of RM1.00 each and 139,292,800 redeemable convertible preference shares of RM0.01 each.

The directors of Aero Ventures Sdn Bhd as at the LPD were Dato' Kamarudin Bin Meranun, Tan Sri Dr. Anthony Francis Fernandes, Dato' Seri Kalimullah Bin Masheerul Hassan, Lim Kian Onn, Fazlin Binti Abu Hassan Shaari (alternate director to Dato' Kamarudin Bin Meranun) and Lee Yu-chern (alternate director to Tan Sri Dr. Anthony Francis Fernandes).

As at the LPD, the substantial holders of ordinary shares and redeemable convertible preference shares of Aero Ventures Sdn Bhd and their respective holdings were as follows:

(i) Ordinary Shares

		Direct		Indirect	
Name	**Country of incorporation / Nationality**	**No. of ordinary shares of RM1.00 each**	**%**	**No. of ordinary shares of RM1.00 each**	**%**
Dato' Kamarudin Bin Meranun	Malaysian	807	46.3	125[(1)]	7.2
Tan Sri Dr. Anthony Francis Fernandes	Malaysian	414	23.8	125[(1)]	7.2
Dato' Seri Kalimullah Bin Masheerul Hassan	Malaysian	188	10.8	-	-
Lim Kian Onn	Malaysian	188	10.8	-	-
Tune Longhaul Sdn Bhd[(2)]	Malaysia	125	7.2	-	-

Notes:

(1) Deemed interest by virtue of their shareholding interests in Tune Longhaul Sdn Bhd pursuant to Section 6A of the Companies Act.

(2) 50.0% and 26.0% of Tune Longhaul Sdn Bhd's shareholding is held by Dato' Kamarudin Bin Meranun and Tan Sri Dr. Anthony Francis Fernandes respectively, both of whom are our Directors, Promoters and substantial shareholders, while 12.0% is held by Dato' Seri Kalimullah Bin Masheerul Hassan and the remaining 12.0% is held by Lim Kian Onn, both of whom are our Directors and Promoters.

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(ii) Redeemable Convertible Preference Shares

Name	Country of incorporation / Nationality	Direct: No. of redeemable convertible preference shares of RM0.01 each 000	Direct: %	Indirect: No. of redeemable convertible preference shares of RM0.01 each 000	Indirect: %
Dato' Kamarudin Bin Meranun	Malaysian	60,902	43.7	10,000[(1)]	7.2
Tan Sri Dr. Anthony Francis Fernandes	Malaysian	33,062	23.8	10,000[(1)]	7.2
Dato' Seri Kalimullah Bin Masheerul Hassan	Malaysian	15,070	10.8	-	-
Lim Kian Onn	Malaysian	15,070	10.8	-	-
Tune Longhaul Sdn Bhd[(2)]	Malaysia	10,000	7.2	-	-

Notes:

(1) Deemed interest by virtue of their shareholding interests in Tune Longhaul Sdn Bhd pursuant to Section 6A of the Companies Act.

(2) The shareholding details of Tune Longhaul Sdn Bhd are set out above in Note (2) of Section 9.3.1(i) of this Prospectus.

Please refer to Section 9.4.1 of this Prospectus for Aero Ventures Sdn Bhd's shareholding in our Company before and after our IPO, and Section 9.4.2 of this Prospectus for details of the changes in Aero Venture Sdn Bhd's shareholding in our Company for the past 3 years up to the LPD.

9.3.2 AirAsia Berhad

AirAsia Berhad was incorporated as a private company under the Companies Act on 20 December 1993 under the name of AirAsia Sdn Bhd. It was subsequently converted into a public company limited by shares namely AirAsia Berhad on 8 June 2004. AirAsia Berhad was listed on the Main Board of Bursa Securities on 22 November 2004 and is currently listed on the Main Market. The principal activity of AirAsia Berhad is providing air transportation services.

As at the LPD, the authorised share capital of AirAsia Berhad was RM500,000,000 comprising 5,000,000,000 ordinary shares of RM0.10 each whereas its issued and paid-up share capital is RM278,051,058 comprising 2,780,510,580 ordinary shares of RM0.10 each.

The directors of AirAsia Berhad as at the LPD were Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar, Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun, Conor McCarthy, Dato' Leong Sonny @ Leong Khee Seong, Dato' Fam Lee Ee, Dato' Mohamed Khadar Bin Merican, Datuk Mohd Omar Bin Mustapha and Aireen Omar.

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

As at the LPD, the substantial shareholders of AirAsia Berhad and their respective shareholdings were as follows:

		Direct		Indirect	
Name	**Country of incorporation / Nationality**	**No. of ordinary shares of RM0.10 each 000**	**%**	**No. of ordinary shares of RM0.10 each 000**	**%**
Tune Air Sdn Bhd[(1)]	Malaysia	640,608[(2)]	23.0	-	-
Tan Sri Dr. Anthony Francis Fernandes	Malaysian	3,227[(3)]	0.1	640,608[(4)]	23.0
Dato' Kamarudin Bin Meranun	Malaysian	2,293	0.1	640,608[(4)]	23.0
Wellington Management Company, LLP ("**Wellington Management**")[(5)]	Massachusetts, United States of America	235,815[(6)]	8.5	-	-
Employees Provident Fund Board ("**EPF**")[(7)]	Malaysia	202,424[(8)]	7.3	4,809[(8)]	0.2

Notes:

(1) 48.9% and 40.2% of Tune Air Sdn Bhd's shareholding is held is by Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun respectively, both of whom are our Directors, Promoters and substantial shareholders.

(2) Inclusive of shares held under ECML Nominees (Tempatan) Sdn Bhd, Mayban Nominees (Tempatan) Sdn Bhd, HSBC Nominees (Tempatan) Sdn Bhd, Citigroup Nominees (Tempatan) Sdn Bhd and Cimsec Nominees (Tempatan) Sdn Bhd for Tune Air Sdn Bhd.

(3) Shares held under own name (600,000 shares) and Cimsec Nominees (Tempatan) Sdn Bhd (2,627,010 shares).

(4) Deemed interest by virtue of their shareholding interests in Tune Air Sdn Bhd pursuant to Section 6A of the Companies Act.

(5) Wellington Management is registered as an investment advisor with the United States Securities and Exchange Commission under Section 203 of the Investment Advisors Act of 1940, as amended, and acts as discretionary investment manager on behalf of various separate accounts. Wellington Management specialises in investments ranging from global equities and fixed income to currencies and commodities. With approximately USD784 billion in client assets under management as of 31 March 2013, Wellington Management serves as an investment advisor to more than 2,100 institutions located in over 50 countries. (Source: Wellington Management website accessed on 25 April 2013 and AirAsia Berhad's announcement via Bursa Securities on Changes in Substantial Shareholder's Interest Pursuant to Form 29B of the Companies Act dated 25 April 2013)

(6) Shares held under Cartaban Nominees (Asing) Sdn Bhd, Citigroup Nominees (Asing) Sdn Bhd, HSBC Nominees (Asing) Sdn Bhd, JP Morgan Chase Bank N.A., Master Trust Bank of Japan Ltd., Mellon Bank N.A., RBC Dexia Investor Services and Danske Bank A/S for Wellington Management Company, LLP.

(7) EPF is a social security organisation formed according to the laws of Malaysia, Employees Provident Fund Act, 1991 (Act 452) which provides retirement benefits to private sector employees and non-pensionable public sector employees. As at December 2012, EPF has a total of 13.58 million members. Contributions made to EPF are invested in a number of approved financial instruments to generate income. They include Malaysian government securities, money market instruments, loans and bonds, equity and property. (Source: EPF website accessed on 25 April 2013)

(8) Shares held under own name (202,424,200 shares) and Citigroup Nominees (Tempatan) Sdn. Bhd. (4,809,100 shares).

Please refer to Section 9.4.1 of this Prospectus for AirAsia Berhad's shareholding in our Company before and after our IPO, and Section 9.4.2 of this Prospectus for details of the changes in AirAsia Berhad's shareholding in our Company for the past 3 years up to the LPD.

9.3.3 Dato' Kamarudin Bin Meranun

Please refer to Section 9.1.3 above for the biography of Dato' Kamarudin Bin Meranun.

Please refer to Section 9.4.1 of this Prospectus for Dato' Kamarudin Bin Meranun's shareholding in our Company before and after our IPO, and Section 9.4.2 of this Prospectus for details of the changes in Dato' Kamarudin Bin Meranun's shareholding in our Company for the past 3 years up to the LPD.

9.3.4 Tan Sri Dr. Anthony Francis Fernandes

Please refer to Section 9.1.3 above for the biography of Tan Sri Dr. Anthony Francis Fernandes.

Please refer to Section 9.4.1 of this Prospectus for Tan Sri Dr. Anthony Francis Fernandes's shareholding in our Company before and after our IPO, and Section 9.4.2 of this Prospectus for details of the changes in Tan Sri Dr. Anthony Francis Fernandes's shareholding in our Company for the past 3 years up to the LPD.

9.3.5 Dato' Seri Kalimullah Bin Masheerul Hassan

Please refer to Section 9.1.3 above for the biography of Dato' Seri Kalimullah Bin Masheerul Hassan.

Dato' Seri Kalimullah Bin Masheerul Hassan became a shareholder of our Company in June 2012 following the acquisition of 16,070,447 Shares (after taking into account the subdivision of shares from a par value of RM1.00 to RM0.15 which was completed on 13 May 2013), representing approximately 0.9% of our issued and paid-up share capital then. Please refer to Section 9.1.7 of this Prospectus for Dato' Seri Kalimullah Bin Masheerul Hassan's shareholding in our Company before and after our IPO.

9.3.6 Lim Kian Onn

Please refer to Section 9.1.3 above for the biography of Lim Kian Onn.

Lim Kian Onn became a shareholder of our Company in June 2012 following the acquisition of 16,070,447 Shares (after taking into account the subdivision of shares from a par value of RM1.00 to RM0.15 which was completed on 13 May 2013), representing approximately 0.9% of our issued and paid-up share capital then. Please refer to Section 9.1.7 of this Prospectus for Lim Kian Onn's shareholding in our Company before and after our IPO.

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9.4 Substantial Shareholders

9.4.1 Direct and Indirect Shareholding of Our Substantial Shareholders

The following table sets out the shareholding of our substantial shareholders, being any persons who hold not less than 5% of our Shares, before and after the IPO:

Name	Country of Incorporation / Nationality	Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Aero Ventures Sdn Bhd	Malaysia	928,618,666	52.2	-	-	816,885,443	34.4	-	-
AirAsia Berhad	Malaysia	326,130,573	18.3	-	-	326,130,573	13.7	-	-
Orix Airline Holdings Limited	Republic of Ireland	193,468,447	10.9	-	-	150,569,609	6.4	-	-
Manara Malaysia I Limited	Cayman Islands	193,468,447	10.9	-	-	150,569,608	6.4	-	-
Dato' Kamarudin Bin Meranun	Malaysian	66,356,360	3.7	1,254,749,239[1]	70.5	66,456,360[3]	2.8	1,143,016,016[1]	48.1
Tan Sri Dr. Anthony Francis Fernandes	Malaysian	35,223,907	2.0	1,254,749,239[1]	70.5	35,323,907[3]	1.5	1,143,016,016[1]	48.1
ORIX Corporation	Japan	-	-	193,468,447[2]	10.9	-	-	150,569,609[2]	6.4
Orix Aviation Systems Limited	Ireland	-	-	193,468,447[2]	10.9	-	-	150,569,609[2]	6.4
Fadeed Commercial & Industrial Investment Co.	Saudi Arabia	-	-	193,468,447[4]	10.9	-	-	150,569,608[4]	6.4
Mohammed Abdullah Mohammed Romaizan	Saudi Arabian	-	-	193,468,447[5]	10.9	-	-	150,569,608[5]	6.4

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

		Before the IPO				After the IPO			
	Country of	Direct		Indirect		Direct		Indirect	
Name	Incorporation / Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Abdullah Mohammed AbdulAziz Romaizan	Saudi Arabian	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Jasmine Quadrilateral Investment Corporation	British Virgin Islands	-	-	193,468,447[(4)]	10.9	-	-	150,569,608[(4)]	6.4
Pergola Holdings Inc.	British Virgin Islands	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Mohammed AbdulAziz AlJomaih	Saudi Arabian	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Hamad AbdulAziz AlJomaih	Saudi Arabian	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Estate of the late Mohammed Abdullah AlJomaih	N/A	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Estate of the late Abdulrahman AbdulAziz AlJomaih	N/A	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Manara Infrastructure Investments	Cayman Islands	-	-	193,468,447[(4)]	10.9	-	-	150,569,608[(4)]	6.4
AlTouq SA	Panama	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Ibrahim AlTouq	Saudi Arabian	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4
Sara Investments Holding	Cayman Islands	-	-	193,468,447[(4)]	10.9	-	-	150,569,608[(4)]	6.4
Abdullah Bahamdan	Saudi Arabian	-	-	193,468,447[(5)]	10.9	-	-	150,569,608[(5)]	6.4

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

Notes:

N/A Not applicable

(1) Deemed interest by virtue of their shareholding interests in Aero Ventures Sdn Bhd and AirAsia Berhad pursuant to Section 6A of the Companies Act.

(2) Deemed interest by virtue of their shareholding interests in Orix Airline Holdings Limited pursuant to Section 6A of the Companies Act.

(3) Assuming full subscription of the Issue Shares reserved for them under our IPO.

(4) Deemed interest by virtue of their shareholding interests in Manara Malaysia I Limited pursuant to Section 6A of the Companies Act.

(5) Deemed interest by virtue of their indirect shareholding interests in Manara Malaysia I Limited pursuant to Section 6A of the Companies Act.

Save as disclosed above, we are not aware of any other person who directly or indirectly, jointly or severally, exercises control over us.

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9.4.2 Changes in Shareholdings of Our Substantial Shareholders

The following tables set out the shareholding of our substantial shareholders for the past 3 years up to the LPD taking into account the subdivision of our Shares and the conversion of our RCPS:

(i) Ordinary Shares

	31 December 2010				31 December 2011				31 December 2012				As at the LPD[7]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of Shares 000	%	No. of Shares 000	%
Aero Ventures Sdn Bhd	139,293	62.2	-	-	139,293	62.2	-	-	139,293	62.2	-	-	928,619	52.2	-	-
AirAsia Berhad	-	-	-	-	-	-	-	-	6,253	2.8	-	-	326,131	18.3	-	-
Orix Airline Holdings Limited	29,020	12.9	-	-	29,020	12.9	-	-	29,020	12.9	-	-	193,468	10.9	-	-
Manara Malaysia I Limited	29,020	12.9	-	-	29,020	12.9	-	-	29,020	12.9	-	-	193,468	10.9	-	-
Corvina Holdings Limited	26,667	12.0	-	-	26,667	12.0	-	-	-	-	-	-	-	-	-	-
Dato' Kamarudin Bin Meranun	-	-	139,293[2]	62.2	-	-	139,293[2]	62.2	9,953	4.4	145,546[3]	65.0	66,356	3.7	1,254,750[3]	70.5
Tan Sri Dr. Anthony Francis Fernandes	-	-	139,293[2]	62.2	-	-	139,293[2]	62.2	5,284	2.4	145,546[3]	65.0	35,224	2.0	1,254,750[3]	70.5
ORIX Corporation	-	-	29,020[4]	12.9	-	-	29,020[4]	12.9	-	-	29,020[4]	12.9	-	-	193,468[4]	10.9
Orix Aviation Systems Limited	-	-	29,020[4]	12.9	-	-	29,020[4]	12.9	-	-	29,020[4]	12.9	-	-	193,468[4]	10.9

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

	31 December 2010				31 December 2011				31 December 2012				As at the LPD[7]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of Shares 000	%	No. of Shares 000	%
Fadeed Commercial & Industrial Investment Co.	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	193,468[5]	10.9
Mohammed Abdullah Mohammed Romaizan	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Abdullah Mohammed AbdulAziz Romaizan	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Jasmine Quadrilateral Investment Corporation	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	193,468[5]	10.9
Pergola Holdings Inc.	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Mohammed AbdulAziz AlJomaih	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Hamad AbdulAziz AlJomaih	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Estate of the late Mohammed Abdullah AlJomaih	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Estate of the late Abdulrahman AbdulAziz AlJomaih	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Manara Infrastructure Investments	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	193,468[5]	10.9

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

	31 December 2010				31 December 2011				31 December 2012				As at the LPD[7]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of ordinary shares[1] 000	%	No. of Shares 000	%	No. of Shares 000	%
AlTouq SA	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Ibrahim AlTouq	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9
Sara Investments Holding	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	29,020[5]	12.9	-	-	193,468[5]	10.9
Abdullah Bahamdan	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	29,020[6]	12.9	-	-	193,468[6]	10.9

Notes:

(1) *Ordinary shares of RM1.00 each.*

(2) *Deemed interest by virtue of their shareholding interests in Aero Ventures Sdn Bhd pursuant to Section 6A of the Companies Act.*

(3) *Deemed interest by virtue of their shareholding interests in Aero Ventures Sdn Bhd and AirAsia Berhad pursuant to Section 6A of the Companies Act.*

(4) *Deemed interest by virtue of their shareholding interests in Orix Airline Holdings Limited pursuant to Section 6A of the Companies Act.*

(5) *Deemed interest by virtue of their shareholding interests in Manara Malaysia I Limited pursuant to Section 6A of the Companies Act.*

(6) *Deemed interest by virtue of their indirect shareholding interests in Manara Malaysia I Limited pursuant to Section 6A of the Companies Act.*

(7) *After taking into account the subdivision of our ordinary shares from a par value of RM1.00 to RM0.15 which was completed on 13 May 2013.*

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

(ii) RCPS

	31 December 2010				31 December 2011				31 December 2012				As at the LPD			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of RCPS 000	%	No. of RCPS 000	%	No. of RCPS 000	%	No. of RCPS 000	%	No. of RCPS 000	%	No. of RCPS 000	%	No. of RCPS 000	%	No. of RCPS 000	%
AirAsia Berhad[1]	42,667	100.0	-	-	42,667	100.0	-	-	42,667	100.0	-	-	-[1]	-[1]	-	-
Dato' Kamarudin Bin Meranun	-	-	42,667[2]	100.0	-	-	42,667[2]	100.0	-	-	42,667[2]	100.0	-	-	-[1]	-[1]
Tan Sri Dr. Anthony Francis Fernandes	-	-	42,667[2]	100.0	-	-	42,667[2]	100.0	-	-	42,667[2]	100.0	-	-	-[1]	-[1]

Notes:

(1) The entire 42,666,667 RCPS was converted by AirAsia Berhad to 42,666,667 ordinary shares of RM1.00 each in our Company on 10 May 2013 and was subsequently converted into 284,444,447 Shares pursuant to the share subdivision on 13 May 2013.

(2) Deemed interest by virtue of their shareholding interests in AirAsia Berhad pursuant to Section 6A of the Companies Act.

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9.4.3 Aero Ventures Sdn Bhd

Please refer to Section 9.3.1 above for details on Aero Ventures Sdn Bhd.

9.4.4 AirAsia Berhad

Please refer to Section 9.3.2 above for details on AirAsia Berhad.

9.4.5 Orix Airline Holdings Limited

Orix Airline Holdings Limited was incorporated as a private limited company under the laws of the Republic of Ireland on 25 October 2007. The principal activity of Orix Airline Holdings Limited is investment. As at the LPD, the authorised share capital of Orix Airline Holdings Limited was USD5,000,000 comprising 5,000,000 ordinary shares of USD1.00 each whereas its issued and paid-up share capital was USD20 comprising 20 ordinary shares of USD1.00 each.

The directors of Orix Airline Holdings Limited as at the LPD were David Power and Akira Mochizuki.

The substantial shareholders of Orix Airline Holdings Limited as at the LPD and their respective shareholdings were as follows:

		Direct		Indirect	
Name	Country of incorporation / Nationality	No. of ordinary shares of USD1.00 each	%	No. of ordinary shares of USD1.00 each	%
ORIX Corporation	Japan	18	90.0	2(1)	10.0(1)
Orix Aviation Systems Limited	Ireland	2	10.0	-	-

Note:

(1) Shares held through its wholly-owned subsidiary, Orix Aviation Systems Limited.

9.4.6 Manara Malaysia I Limited

Manara Malaysia I Limited was incorporated as an exempted company under the Companies Law (Cap 22, Law 3 of 1961) of Cayman Islands on 25 October 2007. The principal activity of Manara Malaysia I Limited is investment holding. As at the LPD, the authorised share capital of Manara Malaysia I Limited was USD50,000 divided into 50,000 ordinary shares of par value USD1.00 each of which 4 ordinary shares has been issued and credited as fully paid-up.

The directors of Manara Malaysia I Limited as at the LPD were Abdullah Mohammed AbdulAziz Romaizan, Hamad AbdulAziz AlJomaih, AbdulMohsen AlTouq and Kamal Bahamdan.

The shareholders of Manara Malaysia I Limited as at the LPD were Fadeed Commercial & Industrial Investment Co. ("**Fadeed**"), Jasmine Quadrilateral Investment Corporation ("**Jasmine**"), Manara Infrastructure Investments ("**MIS**") and Sara Investments Holding ("**Sara**"). The ultimate beneficial shareholders of Fadeed as at the LPD were Mohammed Abdullah Mohammed Romaizan (60%) and Abdullah Mohammed AbdulAziz Romaizan (40%). The ultimate beneficial shareholders of Jasmine through Pergola Holdings Inc. as at the LPD were Mohammed AbdulAziz AlJomaih (20%), Hamad AbdulAziz AlJomaih (20%), the estate of the late Mohammed Abdullah AlJomaih (40%) and the estate of the late Abdulrahman AbdulAziz AlJomaih (20%). The sole ultimate beneficial shareholder of MIS through AlTouq SA as at the LPD was Ibrahim AlTouq. The sole ultimate beneficial shareholder of Sara as at the LPD was Abdullah Bahamdan.

9.4.7 Agreement between Our Substantial Shareholders

There was no agreement subsisting between any of our substantial shareholders to jointly control the business and affairs of our Company as at the LPD.

9.4.8 Involvement of Our Substantial Shareholders in Other Business or Corporations Which Carry On a Similar Trade or Are Our Customers or Suppliers

AirAsia Berhad, as our substantial shareholder and a Promoter, and Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, as our indirect substantial shareholders, through their substantial shareholding interest in AirAsia Berhad, are involved in other businesses and corporations which carry out similar trade as that of our Group, further details of which are set out in Section 11.1.3 of this Prospectus.

Furthermore, AirAsia Berhad, AAE Travel Pte Ltd, AirAsia Inc., Tune Box Sdn Bhd, PT Indonesia AirAsia, Thai AirAsia Co. Ltd, Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad), Tune Ins Holdings Berhad, Asian Aviation Centre of Excellence Sdn Bhd, Asian Contact Centres Sdn Bhd and CaterhamJet Global Ltd being companies in which AirAsia Berhad and/or Tan Sri Dr. Anthony Francis Fernandes and/or Dato' Kamarudin Bin Meranun are interested in, by virtue of being a director and/or substantial shareholder, are also service providers to our Group and recipients of our services in the ordinary course of business, further details of which are set out in Sections 11.1.1 and 11.1.2 of this Prospectus.

Transactions between our Group and our substantial shareholders are considered related party transactions and have been carried out on an arm's length basis and on usual business terms.

Further details in connection with the abovementioned potential conflict of interest situation relating to our substantial shareholders are set out in Sections 9.1.10 and 11.1.3 of this Prospectus. Save for that disclosed above, as at the LPD, none of our Company's substantial shareholders had any interest, direct or indirect, in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers.

9.5 Relationships and Associations between Our Directors, Key Management, Promoters and Substantial Shareholders

Save for our Director's, direct and indirect, shareholding interest and directorship in our Promoters and/or substantial shareholders as set out in Sections 9.3 and 9.4 of this Prospectus, as at the LPD, none of our Directors, key management, Promoters and substantial shareholders had any family relationship or associations with each other.

9.6 Declaration by Our Directors, Promoters and Key Management

Between April 1995 and October 1996, Dato' Yusli Bin Mohamed Yusoff was the Group Managing Director of Shapadu Corporation Sdn Bhd ("**Shapadu**"). During his employment with Shapadu, he was also appointed as a director of its wholly-owned subsidiary, Tiretech Sdn Bhd ("**Tiretech**") on 17 April 1995. At no time was he a shareholder of Shapadu or any of its subsidiaries.

On 29 November 1995, a winding up petition was presented at the Shah Alam High Court for the winding up of Tiretech. On 29 February 1996, the court ordered the winding up of Tiretech and subsequently the Official Receiver (as defined in the Companies Act) was appointed as the provisional liquidator of Tiretech. As at the LPD, Tiretech was still in the process of being wound up and Dato' Yusli Bin Mohamed Yusoff remains as a director of Tiretech although he resigned as a director of Shapadu in 1996.

Save for the above, each of our Directors, Promoters and key management has confirmed to us that, as at the LPD, he or she had not been involved in any of the following events (whether in or outside Malaysia):

(i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he or she was a partner or any corporation of which he or she was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) any judgement was entered against such persons involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him or her from engaging in any type of business practice or activity.

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9.7 Service Agreements

Saved as disclosed below, as at the LPD, there was no existing or proposed service agreement entered into or to be entered into between our Group and our Directors or any member of our key management:

(i) Azran Bin Osman Rani was appointed as our Chief Executive Officer commencing on 4 July 2010. His initial contract of employment is for a period of 3 years, which has since been extended by another 3 years commencing 4 July 2013. Any further extension is at our Company's discretion and subject further to satisfactory work performance. Azran Bin Osman Rani may terminate his employment with us by giving 3 months' written notice or by the payment of 3 months' salary in lieu of such notice. We may terminate his employment by giving 6 months' written notice or by payment of 6 months' salary in lieu of such notice. Should our Company choose to terminate his employment without giving any reason whatsoever, we may do so by giving 12 months' notice (or the remaining time left of his term), or by paying salary in lieu of such notice; and

(ii) Moses Devanayagam was appointed as our Operations Director commencing on 2 August 2011. His contract of employment is for a period of 3 years. Extension is at our Company's approval at the end of the contract period. Either party may terminate the contract by giving 3 months' written notice or by the payment of 3 months' wages in lieu of such notice.

9.8 Other Matters

Saved as disclosed below, as at the LPD and for the 2 years preceding the date of this Prospectus, no amount had been paid or benefits given or intended to be paid or given to any Director, Promoter or substantial shareholder of our Company:

(i) Historical and future payments to our substantial shareholders in the ordinary course of business as set out in Section 11 of this Prospectus;

(ii) Options which may be granted to our Directors under our ESOS as set out in Section 4.5 of this Prospectus;

(iii) Salaries and benefits-in-kind paid and payable to our Directors as set out in Section 9.1.8 of this Prospectus; and

(iv) The allocation of Issue Shares to Eligible Persons which may be subscribed by them under our IPO as set out in Section 4.3.4 of this Prospectus.

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10. APPROVALS AND CONDITIONS

The SC has, via its letter dated 21 January 2013 approved our IPO under Section 212(5) (now Subsection 214(1)) of the CMSA and equity requirement for public companies, as varied via its subsequent letter dated 7 May 2013 under Subsection 214(2) of the CMSA, subject to compliance with the following conditions:

	Details of conditions imposed	**Status of compliance**
(i)	AirAsia X to allocate IPO Shares representing 12.5% of its enlarged issued and paid-up share capital at the point of listing to Bumiputera investors. This includes the IPO Shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors; and	Complied
(ii)	CIMB Investment Bank Berhad / AirAsia X to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Proposed Listing.	Noted

The SAC of the SC has, via its letter dated 2 May 2013, classified our Shares as Shariah-compliant.

The SC has, via its letters dated 18 September 2012 and 28 November 2012, approved the waivers sought from having to comply with certain requirements under the Equity Guidelines and Prospectus Guidelines. The details of the waivers sought and the corresponding conditions imposed by the SC are as follows:

Reference	**Details of waivers sought**	**Condition imposed (if any)**	**Status of compliance of conditions (if any)**
Equity Guidelines			
Paragraph 5.08(b) of the Equity Guidelines	Waiver from complying with the requirement to have positive cash flow from operating activities.	Approved, as proposed	Not applicable
Paragraph 1, Appendix 1 of the Equity Guidelines	To allow the appointment of the proposed directors to take place prior to the confirmation of registration of the prospectus instead of at the time of submission to the SC.	Approved, as proposed	Not applicable
Paragraph 4(a), Appendix 1 of the Equity Guidelines	Waiver from the requirement to provide information on the ultimate beneficial ownership of shares for AirAsia X's direct and indirect shareholders which are publicly-listed corporations.	Approved, subject to AirAsia X providing information on the ultimate beneficial ownership of shares held under nominees / corporations of AirAsia Berhad's and Orix Corporation's substantial shareholders	Complied and submitted to the SC on 17 December 2012

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10. APPROVALS AND CONDITIONS (cont'd)

Reference	Details of waivers sought	Condition imposed (if any)	Status of compliance of conditions (if any)
Prospectus Guidelines			
Paragraphs 5.03(e), 8.07, 8.08, 12.02, 12.04, 12.05, 12.06, 12.07, 12.10, 12.11, 12.12, 12.13, 12.14, 13.07, 13.11, 13.13(b), 15.01 and 18.01(i) of the Prospectus Guidelines	Waiver from complying with Paragraphs 12.10, 12.11, 12.12 and 13.11 of the Prospectus Guidelines including any other consequential disclosures required as a result of the granting of relief from the above paragraphs (i.e. paragraphs 5.03(e), 8.07, 8.08, 12.02, 12.04, 12.05, 12.06, 12.07, 12.13, 12.14, 13.07, 13.13(b), 15.01 and 18.01(i) in relation to the submission of the registrable prospectus.	Approved, subject to the following conditions: (i) Submission of the registrable prospectus should be made based on the most recent completed financial year for which audited financial statements have been prepared, for the purpose of the prospectus exposure. In any event, the submission date should not exceed 9 months from the date of such financial statements; (ii) A copy of the interim unaudited financial statements as well as the Management's Discussion and Analysis on the said financial statements should be provided separately for the SC's internal review purposes only; (iii) The interim audited financial statements and the updated prospectus based on the said financial statements should be submitted two weeks prior to the confirmation of registration of the prospectus; and (iv) Material deviations, if any, between the interim unaudited financial statements and the interim audited financial statements should be highlighted and clarified to the SC.	Not applicable as the application to the SC is made in compliance with Paragraphs 12.10, 12.11, 12.12 and 13.11 of the Prospectus Guidelines

10. APPROVALS AND CONDITIONS (cont'd)

Reference	Details of waivers sought	Condition imposed (if any)	Status of compliance of conditions (if any)
Prospectus Guidelines (cont'd)			
Paragraph 8.08 of the Prospectus Guidelines	Waiver from the requirement to disclose the identity of a lessor who was a major supplier in the financial year ended 31 December 2009.	Approved, as proposed	Not applicable
Paragraph 8.02(m) and 18.01(c) of the Prospectus Guidelines	In relation to: • the master purchase agreement entered into between AirAsia X and Airbus S.A.S. dated 14 June 2007 (as supplemented by various letter agreements and amendment agreements); and • a purchase agreement entered into between AirAsia X and Airbus S.A.S. dated 16 June 2009 (as supplemented by various letter agreements and amendment agreements) ("**Airbus Agreements**"), waiver sought: (i) to exclude disclosure details such as pricing and other commercial terms of the Airbus Agreements in the prospectus; (ii) to only include the redacted version of the Airbus Agreements as a document for inspection; and (iii) to exclude all letter agreements and amendment agreements to the Airbus Agreements as documents for inspection.	Approved, as proposed	Complied

10. APPROVALS AND CONDITIONS (cont'd)

The SC via its letter dated 7 May 2013 noted that the effective equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the Listing as follows:

Categories of Shareholders	Before IPO (%)	After IPO (%)
Bumiputera	36.1	38.4
Non-Bumiputera	31.5	35.2
Foreigners	32.4	26.4
Total	**100.0**	**100.0**

Bursa Securities in its letter dated 29 May 2013, approved the admission of our Company to the Official List of Bursa Securities and listing of and quotation of the entire enlarged issued and paid up share capital of our Company on the Main Market.

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10. APPROVALS AND CONDITIONS (cont'd)

10.1 Moratorium on Our Shares

Pursuant to the Equity Guidelines, the Shares held by our Promoters amounting to approximately 1,277 million Shares or 53.8% of our issued and paid-up share capital at the date of admission of our Company to the Official List of the Main Market are to be placed under moratorium. In this respect, the Shares that are subject to moratorium are set out below:

	Direct		Indirect	
Promoter	**No. of Shares**	**%**	**No. of Shares**	**%**
Aero Ventures Sdn Bhd	816,885,443	34.4	-	-
AirAsia Berhad	326,130,573	13.7	-	-
Dato' Kamarudin Bin Meranun	66,356,360	2.8	1,143,016,016[(1)]	48.1
Tan Sri Dr. Anthony Francis Fernandes	35,223,907	1.5	1,143,016,016[(1)]	48.1
Dato' Seri Kalimullah Bin Masheerul Hassan	16,070,447	0.7	-	-
Lim Kian Onn	16,070,447	0.7	-	-

Note:

(1) Deemed interest by virtue of their shareholding interests in Aero Ventures Sdn Bhd and AirAsia Berhad pursuant to Section 6A of the Companies Act.

Our Promoters have fully accepted the moratorium. Our Promoters will not be permitted to sell, transfer or assign any part of their interest in the Shares under moratorium for a 6-month period beginning from the date of our admission to the Official List of the Main Market.

The above moratorium restrictions are specifically endorsed on the share certificates representing the Shares held by our Promoters which are under moratorium to ensure that our Company's share registrar does not register any transfer that contravenes such restrictions.

Pursuant to the Equity Guidelines, Andrew Littledale, Dato' Kamarudin Bin Meranun, Dato' Seri Kalimullah Bin Masheerul Hassan, Hud Bin Abu Bakar, Tan Sri Dr. Anthony Francis Fernandes, Lim Kian Onn, Robert Milton and Tune Longhaul Sdn Bhd as direct shareholders of Aero Ventures Sdn Bhd, are not allowed to and have undertaken not to sell, transfer or assign their entire holdings of ordinary shares of RM1.00 each and/or redeemable convertible preference shares of RM0.01 each in Aero Ventures Sdn Bhd, as the case may be, for a 6-month period beginning from the date of our admission to the Official List of the Main Market.

Pursuant to the Equity Guidelines, Dato' Kamarudin Bin Meranun, Dato' Seri Kalimullah Bin Masheerul Hassan, Tan Sri Dr. Anthony Francis Fernandes and Lim Kian Onn as indirect shareholders of Aero Ventures Sdn Bhd, are not allowed to and have undertaken not to sell, transfer or assign their entire shareholdings in Tune Longhaul Sdn Bhd for a 6-month period beginning from the date of our admission to the Official List of the Main Market.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTERESTS

11.1 Related Party Transactions

Under the Listing Requirements, a "**related party transaction**" is a transaction entered into by a listed issuer or its subsidiaries that involves the interests, direct or indirect, of a related party. A "**related party**" of a listed issuer (not being a special purpose acquisition company) is:

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company; or

(ii) a major shareholder and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or its holding company, and has or had an interest or interests in one or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:

  (a) ten percent (10%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or

  (b) five percent (5%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or

(iii) a person connected with such director or major shareholder.

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11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

11.1.1 Related Party Transactions Entered Into by Our Group

Save as disclosed below, there are no existing and/or proposed related party transactions which have been entered into or expected to be entered into by our Group with related parties for the past 3 years ended 31 December 2012 and the year ending 31 December 2013.

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(i)	Our Company and 1Malaysia Racing Team Sdn Bhd ("**1MRT**")	**Interested major shareholders** Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are directors and major shareholders of 1MRT. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Sponsorship package for 1MRT's Team Lotus up to 31 December 2011 covering: • marketing rights, right to the use of logos developed by Team Lotus, promotion of the AIRASIA branding with Team Lotus and hospitality rights as Team Lotus' official partner, amongst others; and • the sponsorship of up to RM1.0 million worth of flights on AirAsia X to be used by Team Lotus, in relation to "AirAsia Team Lotus Driver's Development Programme".	-	1,876	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(ii)	Our Company and Malaysia Airlines System Berhad ("**MAS**")	**Interested major shareholders** Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun were directors and indirect major shareholders of MAS (via Tune Air Sdn Bhd) at the relevant time when the transaction terms were agreed upon. They ceased to be directors and indirect major shareholders of MAS as of April 2012 and May 2012 respectively. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Reaccommodation and upliftment of flights for AirAsia X's passengers by MAS following the termination of our service to Mumbai, New Delhi, London and Paris based on rates agreed upon under the agreement. The reaccommodation and upliftment agreement with MAS had expired in November 2012.	-	-	42,413	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(iii)	Our Company and Tune Box Sdn Bhd ("**Tune Box**")	**Interested major shareholders** Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are directors and indirect major shareholders of Tune Box. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Supply of in-flight entertainment system, hardware, software, content and updates by Tune Box for a period of 1 year from 12 July 2012, being the date of launch of the in-flight entertainment system on board of AirAsia X's aircraft, which is extendable by another year.	-	-	2,336	1,801

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011	 2012	Estimate Year ending 31 December 2013
				RM 000			
(iv)	Our Company and Thai AirAsia Co. Ltd	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. Thai AirAsia Co. Ltd is an associate of AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of promotional services and passenger ticket sales agency services by our Company for the sale of Thai AirAsia Co. Ltd's flights in Taipei, Taiwan from 1 June 2009 to 30 May 2010. Thai AirAsia Co. Ltd needed to have a general sales agent appointed in Taiwan before Thai AirAsia Co. Ltd commenced sales, and the arrangement was entered into in light of us having established our operations in Taiwan by that time. Although we entered into the agreement to provide the abovementioned services, no subsequent actual transactions occurred and hence no transaction values were recorded.	-	-	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010 RM 000	Actual Year ended 31 December 2011 RM 000	Actual Year ended 31 December 2012 RM 000	Estimate Year ending 31 December 2013 RM 000
			Going forward, we do not expect to enter into a similar agreement with Thai AirAsia Co. Ltd in respect of the abovementioned as Thai AirAsia Co. Ltd did not renew the agreement upon expiry as they have since set up their own branch office and are carrying out their own sales effort.				
(v)	Our Company and AirAsia Berhad	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad.	Provision of promotional services and passenger ticket sales agency services by our Company for the sale of AirAsia Berhad's flights in Taipei, Taiwan from 1 September 2009 to 31 August 2010. AirAsia Berhad needed to have a general sales agent appointed in Taiwan before AirAsia Berhad commenced sales, and the arrangement was entered into in light of us having established our operations in Taiwan by that time.	-	-	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
		Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Although we entered into the agreement to provide the abovementioned services, no subsequent actual transactions occurred and hence no transaction values were recorded. Going forward, we do not expect to enter into a similar agreement with AirAsia Berhad in respect of the abovementioned.				

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11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(vi)	Our Company and QPR Holdings Limited ("**QPR**")	**Interested major shareholders** Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are directors and indirect major shareholders of QPR. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Sponsorship package of QPR's away shirt and third shirt for a period of one (1) year from 1 June 2011.	-	989	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual: Year ended 31 December 2010	Actual: Year ended 31 December 2011	Actual: Year ended 31 December 2012	Estimate: Year ending 31 December 2013
				RM 000	RM 000	RM 000	
(vii)	Our Company and AirAsia Berhad	**Interested major shareholders** Aero Ventures Sdn Bhd, AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Secondment of selected and identified pilots by AirAsia Berhad to our Company.	-	1,172	199	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011	 2012	Estimate Year ending 31 December 2013
				RM 000			
(viii)	Our Company and AirAsia Berhad	**Interested major shareholders** Aero Ventures Sdn Bhd, AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Sharing of indirect income generated by AirAsia Berhad with our Company from the co-brand of credit cards, electronic gift vouchers, Travel 3Sixty inflight magazine and online travel agencies for a period of 1 year from 6 July 2011. Although we entered into the agreement to share the indirect income from the co-branding of the abovementioned products, there was no subsequent income generated from such co-branding and hence no transaction values were recorded. Going forward, we do not expect to enter into a similar agreement with AirAsia Berhad in respect of the abovementioned.	-	-	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011	 2012	Estimate Year ending 31 December 2013
				RM 000			
(ix)	Our Company and AirAsia Berhad	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of carried passenger services for a Long-haul destination to AirAsia Berhad on an ad-hoc basis, whereby the passengers are procured by AirAsia Berhad, but are carried by our Company.	-	-	8,827	8,827

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011	 2012	Estimate Year ending 31 December 2013
				RM 000			
(x)	Our Company and AirAsia Inc.	**Interested major shareholders** AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Inc. is 40%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of promotional services and passenger ticket sales agency services by our Company for AirAsia Inc. in Taipei, Taiwan from 1 December 2012 to 30 November 2013. AirAsia Inc. needed to have a general sales agent appointed in Taiwan before AirAsia Inc. commenced sales, and the arrangement was entered into in light of us having established our operations in Taiwan by that time.	-	-	-	145

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010 RM 000	Actual Year ended 31 December 2011 RM 000	Actual Year ended 31 December 2012 RM 000	Estimate Year ending 31 December 2013 RM 000
(xi)	Our Company and Thai AirAsia Co. Ltd	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. Thai AirAsia Co. Ltd is an associate of AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of airport management, ground handling and regulatory liaison services by Thai AirAsia Co. Ltd to our Company in respect of our charter flights out of Wuhan Tianhe International Airport, China from 1 April 2013 to 9 February 2014.	-	-	-	17

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

11.1.2 Recurrent Related Party Transactions Entered Into by Our Group

Related party transactions can be deemed as recurrent, if they are entered into at least once every 3 years, in the ordinary course of business and are of a revenue or trading nature necessary for the day-to-day operations of our Company.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek shareholders' approval each time our Group enters into material related party transactions. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such related party transactions during the validity period of the mandate.

Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12-month period, are entered into with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/asset or of various parcels of land contiguous to each other.

Save as disclosed below, our Group does not have any other existing and/or proposed recurrent related party transactions which have been entered into or are to be entered into by our Group with related parties for the past 3 years ended 31 December 2012 and the year ending 31 December 2013.

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11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual: Year ended 31 December 2010	Actual: Year ended 31 December 2011	Actual: Year ended 31 December 2012	Estimate: Year ending 31 December 2013
				RM 000	RM 000	RM 000	RM 000
(i)	Our Company and AirAsia Berhad	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Rights granted by AirAsia Berhad under the Brand Licence Agreement and subsequently the Brand Licence Amendment and Renewal Agreement to our Company to operate air services under the AIRASIA trade name and livery in respect of our low-cost, Long-haul air services. Please refer to Section 7.9.6(i) of this Prospectus for further details of the Brand Licence Amendment and Renewal Agreement. There were no transaction values in 2009 or 2010 as the fees were charged in aggregate in 2011.	-	19,299	7,749	8,528

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(ii)	Our Company and AirAsia Berhad	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun.	Provision of services by AirAsia Berhad under the AirAsia Services Agreement to our Company as follows: From October 2007 to May 2011:				
		Interested directors Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad.	• Engineering, cargo management, flight operations, procurement, in-flight products and services, human resource, treasury, training, marketing, information and communication technology ("**ICT**"), ground operations, security, commercial services for route development and other operational services	85,845	23,384	-	-
		Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	From May 2011 to 22 June 2012: • Passenger insurance, airport policy, commercial services, ICT, treasury, audit and consulting services, security and other operational services	-	11,277	2,624	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
			From 22 June 2012 onwards: • Passenger insurance, regulatory issues and infrastructure development, commercial services, ICT, treasury, audit and consulting services, security and shared resources Please refer to Section 7.9.6(ii) of this Prospectus for further details of the AirAsia Services Agreement. * *Assuming renewed on the same basis upon yearly renewal on 22 June 2013.*	-	-	3,231	6,421*

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11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(iii)	Our Company, AirAsia X Services Pty Ltd and PT Indonesia AirAsia	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. PT Indonesia AirAsia is an associate of AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of airport management, ground handling, regulatory liaison and marketing and distribution services by our Company to PT Indonesia AirAsia in respect of its operations out of Perth International Airport, Australia from 15 July 2009 to 14 July 2010, and subsequently by AirAsia X Services Pty Ltd in respect of PT Indonesia AirAsia's operations out of Perth and Darwin International Airports, Australia from 14 July 2010 to present.	245	364	364	364

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(iv)	Our Company and Thai AirAsia Co. Ltd	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. Thai AirAsia Co. Ltd is an associate of AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of airport management, ground handling and regulatory liaison services by our Company to Thai AirAsia Co. Ltd in respect of its operations out of Taoyuan International Airport, Taiwan from 15 September 2009 to present on an annual renewal basis.	542	363	132	132

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(v)	Our Company and AirAsia Berhad	**Interested major shareholders** Aero Ventures Sdn Bhd, AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of airport management, ground handling and government and regulatory liaison services to AirAsia Berhad out of Taoyuan International Airport, Taiwan.	89	171	663	663

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011	 2012	Estimate Year ending 31 December 2013
				RM 000			
(vi)	Our Company and Asian Aviation Centre of Excellence Sdn Bhd ("**AACOE**")	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun.	Provision of the following training services by AACOE: • commercial training services from 1 July 2011 until 30 June 2026; and	-	1,215	2,605	2,457
		Interested directors Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee.	• non-pilot training services from 1 January 2012 until 30 June 2026.	-	-	173	2,670
		AACOE is 50%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	In addition, our Company had also in August 2012 entered into an arrangement with AACOE whereby qualified employees of AACOE may be contracted by our Company on a part-time basis, whereby we are responsible for paying such employees through AACOE the flight allowance, salary and other compensation.	-	-	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual: Year ended 31 December 2010	Actual: Year ended 31 December 2011	Actual: Year ended 31 December 2012	Estimate: Year ending 31 December 2013
				RM 000	RM 000	RM 000	
(vii)	Our Company and AirAsia Berhad	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Purchase of Tune Talk prepaid mobile SIM cards from AirAsia Berhad for sale on-board our flights, based on a reseller arrangement.	62	92	70	70

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(viii)	Our Company and Tune Ins Holdings Berhad ("**TIH**")	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. TIH is 20%-owned by AirAsia Berhad, our major shareholder. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are directors and indirect major shareholders of TIH. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	(a) Outsourcing and appointment of TIH since October 2012 to manage AirAsia Insure on an exclusive basis; and (b) the granting of the right to TIH to market its general and life insurance products to our customers, for a period of 15 years from October 2012. There is no transaction value for (a) above, as the relevant fees and commissions arising from the sale of such insurance products are governed under a separate agency agreement, the nature of which is set out under (ix) below.	-	-	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(ix)	Our Company and Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad) (**"TIMB"**)	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are indirect major shareholders of TIMB. AirAsia Berhad is our major shareholder while both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Appointment of our Company as a corporate agent of TIMB since 18 December 2012 for the provision of AirAsia Insure.				
			• Payment to TIMB of insurance premiums collected on its behalf.	-	-	2,491	9,965
			• Receipt of commission income of 25% on all insurance premiums received by TIMB.	-	-	623	2,491

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011 RM 000	 2012	Estimate Year ending 31 December 2013
(x)	Our Company and AAE Travel Pte Ltd ("**AAE**")	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AAE is 50%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Marketing, distribution and sale of our travel products and services by AAE in Asia through AAE's distribution channels. There were no transaction values as no invoices were received.	-	-	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(xi)	Our Company and AirAsia Japan Co. Ltd ("**AirAsia Japan**")	**Interested major shareholders** AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Japan is 49%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of airport management, ground handling and government and regulatory liaison services to AirAsia Japan into and out of Incheon International Airport, Seoul and Gimhae International Airport, Busan.	-	-	255	637

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011 RM 000	 2012	Estimate Year ending 31 December 2013
(xii)	Our Company and AirAsia Japan	**Interested major shareholders** AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Japan is 49%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Secondment of AirAsia X employee to AirAsia Japan to act as the representative of AirAsia Japan's branch office in Korea. The representative will on behalf of AirAsia Japan liaise with the relevant regulatory bodies in Korea. AirAsia Japan shall bear the cost associated with the appointment of the representative.	-	-	61	734

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	Actual Year ended 31 December 2011	Actual Year ended 31 December 2012	Estimate Year ending 31 December 2013
				RM 000			
(xiii)	Our Company and Asian Contact Centres Sdn Bhd ("**ACCSB**")	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. ACCSB is 50%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of call centre services to our Company.	2,026	9,193	11,189	13,116

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	2011	2012	Estimate Year ending 31 December 2013
				RM 000			
(xiv)	Our Company and AirAsia Inc.	**Interested major shareholders** AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Inc. is 40%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of airport management, ground handling and regulatory liaison services by our Company to AirAsia Inc. in respect of its operations out of Taoyuan International Airport, Taiwan.	-	-	-	142

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	 2011	 2012	Estimate Year ending 31 December 2013
				RM 000			
(xv)	Our Company and AirAsia Japan	**Interested major shareholders** AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. AirAsia Japan is 49%-owned by AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Provision of airport management, ground handling and regulatory liaison services by our Company to AirAsia Japan in respect of its operations out of Taoyuan International Airport, Taiwan.	-	-	-	79

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

				Actual			Estimate
				Year ended 31 December			Year ending 31 December
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	2013
				RM 000			
(xvi)	Our Company and Thai AirAsia Co. Ltd	**Interested major shareholders** AirAsia Berhad, Aero Ventures Sdn Bhd, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee. Thai AirAsia Co. Ltd is an associate of AirAsia Berhad. AirAsia Berhad is our major shareholder whilst Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are directors of AirAsia Berhad. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Sharing of our office space in Chengdu, China with Thai AirAsia Co. Ltd and provision of marketing services by our Company to Thai AirAsia Co. Ltd for marketing operation in Chengdu, China.	-	-	-	22

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Actual Year ended 31 December 2010	Actual Year ended 31 December 2011	Actual Year ended 31 December 2012	Estimate Year ending 31 December 2013
					RM 000		
(xvii)	Our Company and CaterhamJet Global Ltd (**"CJG"**)	**Interested major shareholders** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. **Interested directors** Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun. The principal activity of CJG, a wholly-owned subsidiary of Tune Group Sdn Bhd, is to own and operate an aircraft. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are directors and major shareholders of Tune Group Sdn Bhd. Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are our substantial shareholders via their shareholding interests in Aero Ventures Sdn Bhd and their direct holdings in our Shares.	Annual payment in respect of chartered air travel services to be provided by CJG for members of our Board and key management for corporate and strategic development activities of our Company, due to anticipated increases in travel requirements by them to explore, assess and implement our growth strategies and future plans as set out in Section 7.3 of this Prospectus. Such services allow for more flexibility in managing their travel requirements. Examples of such travel requirements include governmental / ministerial meetings as well as meetings with civil aviation and airport authorities, including flights to Europe for meetings with our aircraft supplier or financiers.	-	-	-	4,560

Our Directors are of the view that the above related party transactions and recurrent related party transactions were carried out on an arm's length basis and on usual business terms, and are based on terms and conditions which are not unfavourable to our Group.

11.1.3 Involvement of Our Shareholder in Similar Business

Although AirAsia Berhad and its subsidiaries, joint venture companies and associated companies and other companies using the "AirAsia" brand name, excluding AirAsia X (such other companies defined hereon as "**Affiliates**") operate in a similar trade as that of our Group, being that of a low-cost carrier, there are distinct differences between our Group's business model and that of AirAsia Berhad and its Affiliates. Primarily, our business model is premised on operating as a low-cost Long-haul airline, which means we conduct flight operations with a flight range beyond 4 hours, whereas AirAsia Berhad and its Affiliates operate as regional low-cost Short-haul airlines that typically conduct flight operations within a 4 hour flight range.

Since we commenced our initial route from Kuala Lumpur to Gold Coast in November 2007, our business model has focused exclusively on the low-cost Long-haul segment. Our complete focus on Long-haul routes, as opposed to the focus on Short-haul routes by AirAsia Berhad and its Affiliates, is reflected in our business model in various ways, including:

(i) **Route Selection:** Our route selection indicates a clear difference between our business and that of AirAsia Berhad and its Affiliates in that we have not operated Short-haul routes before. Since our commencement of Long-haul services, there has never been any direct overlap of routes between us, AirAsia Berhad or any of the Affiliates (all of which focus on Short-haul routes) on a point-to-point basis due to a clear differentiation of route selection.

(ii) **Choice of Aircraft:** We operate solely wide-body aircraft, which is generally the optimal aircraft choice for Long-haul flight operations due to their range capabilities, passenger capacity and efficiency over such distances, whereas AirAsia Berhad and its Affiliates operate solely on narrow-body aircraft for their Short-haul operations. Our future fleet plan contemplates only wide-body aircraft.

(iii) **In-Flight Product:** Our focus on Long-haul routes also differentiates the product we provide our customers, including our aircraft configuration. For example, our seats are typically larger with more legroom and our aircraft have additional galleys to cater for more food and beverage requirements on longer flights, which we believe are different from those on flights with shorter durations. Moreover, we are the only carrier within the AirAsia Group to offer our Premium FlatBed product, which was created in response to customer demands unique to our Long-haul routes.

(iv) **Training and Aircraft Maintenance:** The entire training and qualification of our pilots and crews, as well as our maintenance plans, are tailored to our wide-body operating fleet, which in most instances, is different from the training and qualification requirements and the maintenance plans of AirAsia Berhad and its Affiliates.

These differences between our business model and that of AirAsia Berhad and its Affiliates are further demarcated by several provisions of the Brand Licence Amendment and Renewal Agreement. To protect the interest of both AirAsia Berhad (as the licensor) and our Company (as the licensee), it has been agreed in particular:

(i) Where both AirAsia Berhad and our Company are operating from a common point or hub, AirAsia Berhad, as a Short-haul air carrier, will operate scheduled flights under a 4 hour range; and AirAsia X, as a Long-haul air carrier, will operate scheduled flights above a 4 hour range;

(ii) AirAsia Berhad shall not directly or indirectly invest in or license another low-cost, Long-haul air carrier based in Malaysia;

(iii) In the event opportunities arise to invest in other low-cost, Long-haul air carriers based in another member country of ASEAN, AirAsia Berhad shall give us the first right of refusal to undertake such investments in AirAsia Berhad's place; and

(iv) AirAsia Berhad may invest in and/or license low-cost, Long-haul air carriers outside of ASEAN provided that we are afforded reasonable opportunity to co-invest with AirAsia Berhad upon terms and conditions to be reasonably agreed upon.

Please refer to Section 7.9.6(i) of this Prospectus for further details of the Brand Licence Amendment and Renewal Agreement.

Notwithstanding the direct and indirect interests held by Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun (as directors and substantial shareholders of AirAsia Berhad) and Dato' Fam Lee Ee (as the independent non-executive director of AirAsia Berhad), our Directors are of the view that AirAsia Berhad and its Affiliates do not compete directly with us due to the difference in our respective business and operating models as described above. Instead, the Short-haul route network of AirAsia Berhad and its Affiliates and our Long-haul route network are complementary in providing a feeder network between our Group and AirAsia Berhad and its Affiliates, further details of which are set out in Section 7.2.2 of this Prospectus.

Furthermore, Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee are non-executive Directors of our Company and are not involved in the day-to-day operations of our Group. The task of day-to-day management of our Group has been and will continue to be held by our Company's key management who are not related to the aforementioned Directors.

Transactions with companies and businesses in which our Directors have interests as directors and/or substantial shareholders, where applicable, are carried out on an arm's length basis and on usual business terms. Further details on our past and present related party transactions are set out in Sections 11.1.1 and 11.1.2 above.

Although such interests as described above may give rise to a conflict of interest situation, where applicable, on matters or transactions requiring the approval of our Board, Directors who are deemed interested or conflicted in such matters or transactions shall be required to declare their interests and abstain from deliberations and voting on resolutions relating to such matters or transactions. Going forward and upon our Listing, our Group will also be required to comply with the relevant provisions stipulated under the Listing Requirements for related party transactions. For transactions above certain thresholds as set out in the Listing Requirements, the appointment of an independent adviser may also be required to advise non-interested shareholders. Should any matter or transaction arise with the businesses and corporations mentioned above, our Board will ensure compliance with the related party transaction procedures as required by the Listing Requirements.

For other matters or transactions that may not fall within the thresholds stipulated under the Listing Requirements, our Board will also ensure compliance with related party transaction procedures via our Audit Committee whose membership does not comprise of any of the abovementioned Directors and where a member who is interested, directly or indirectly, in the matter or transaction is required to abstain from deliberating and voting on the matter or transaction. The procedures for such related party transactions are set out in Section 11.2 below.

Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Dato' Fam Lee Ee, as Directors of our Company, furthermore owe a fiduciary duty to our Company to exercise their powers for a proper purpose and in good faith in our Company's best interests. They may not use any information acquired by virtue of their positions as Directors, use any opportunity of which they became aware of, in the performance of their duties as Directors or engage in business which is in competition with our Company to gain a benefit for themselves or any other person, or cause detriment to our Company, without the consent or ratification of a general meeting, as stipulated in Section 132(2) of the Companies Act.

In order to address any potential situations of conflict of interest (including those with AirAsia Berhad and its Affiliates), we have implemented certain mechanisms whereby:

(i) Our Directors are required to make full disclosure at once of any direct or indirect interests they may have in any business enterprise with an existing or proposed relationship with our Group, whether or not they believe it is a material event or agreement. Upon such disclosure, the interested Director(s) are required to abstain from board deliberation and voting on any resolution relating to such related party transaction(s);

(ii) In addition to the above, there are no specific thresholds for disclosure of related party transactions in our Company for internal deliberation. All existing or potential related party transactions have to be disclosed by the interested parties for management reporting. The management will propose the transaction by providing a transaction paper and other relevant documents to our Audit Committee for evaluation and assessment. The Audit Committee will in turn make the necessary recommendation to our Board. Further details of the framework used in evaluating and assessing such related party transactions are set out in Section 11.2 below; and

(iii) Where certain Directors receive or obtain confidential information in his or her capacity as a Director, which may be disclosed to a shareholder whose interest that he or she may represent, the relevant Director will be required to declare to our Board of his or her intention to disclose such confidential information and the person to whom such confidential information shall be disclosed to. Such confidential information can only be disclosed with the expressed consent and authority of our Board and only if such disclosure is not likely to prejudice our Group.

11.1.4 Transactions Entered Into That Are Unusual In Nature or Condition

There were no transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our parent companies or subsidiaries were a party in respect of the past 3 years ended 31 December 2012.

11.1.5 Outstanding Loans and Guarantees to Related Parties

There were no outstanding loans (including guarantees of any kind) made by any of our Group or any of our parent companies to or for the benefit of any related party, for the past 3 years ended 31 December 2012.

11.2 Monitoring and Oversight of Related Party Transactions and Conflicts of Interest

11.2.1 Audit Committee Review

The Audit Committee of our Company is tasked to review and assess any related party transactions and conflicts of interest situations that may arise within our Company. All reports are presented to our Board with our Audit Committee's recommendation for their consideration and decision. Our Audit Committee also reviews the procedures set out by our Company to ensure that such procedures are adequate to monitor, track and identify related party transactions in a timely and orderly manner and that procedures are reviewed on an annual basis or whenever the need arises. Our Audit Committee also monitors related party transactions to ensure that such transactions are carried out on normal commercial terms not more favourable to the related parties than those generally available to third parties dealing on arms' length and not to the detriment of our Company's minority shareholders.

Our Directors are required to disclose their direct or indirect interest and/or the direct or indirect interests of persons connected to them, if any, in any contract, arrangement or any other proposals with our Group and will be required to abstain from deliberation and voting on such contract, arrangement or proposal.

11.2.2 Monitoring and Oversight of Related Party Transactions and Conflicts of Interest

Related party transactions, by their nature, involve conflicts of interest between our Company and related parties with whom our Company has or may enter into transactions. Our Company practises a policy whereby all related party transactions are carried out in the best interests of our Company, including decisions relating to or arising from the Brand Licence Amendment and Renewal Agreement and the AirAsia Services Agreement. Such decisions would also include the exercise of any first right of refusal to invest in other low-cost Long-haul carriers based in another member country of ASEAN, or potential co-investment opportunities with AirAsia Berhad in other low-cost Long-haul carriers outside of ASEAN.

These transactions are based on normal commercial terms not more favourable to the related parties than those generally available to third parties dealing at arms' length and not to the detriment of our Company's minority shareholders.

To promote good corporate governance in the conduct of our Company's business, we have established a framework for reviewing and evaluating potential conflicts of interest and disclosure obligations arising out of transactions, arrangements and relationships between our Company and its related parties.

In reviewing and evaluating the related party transaction, the following is considered:

(i) The rationale and the cost/benefit to our Company are first considered; and

(ii) Where possible, comparative quotes, including sources, methods and procedures through which transaction prices are determined to justify the transaction being undertaken are also taken into consideration to determine whether the price and terms offered to or by the related party(ies) are fair and reasonable, in the best interests of our Company and not detrimental to our minority shareholders and comparable to those offered to or by other unrelated third parties for the same or substantially similar type of products, services or quantities.

11.3 Declarations by Advisers on Conflicts of Interest

11.3.1 Declaration by CIMB

CIMB is not aware of any circumstances that exist or are likely to give rise to a possible conflict of interest situation in relation to its capacity as the Principal Adviser, as a Joint Global Coordinator, a Joint Bookrunner, as well as a Joint Managing Underwriter and Joint Underwriter for our Listing.

CIMB, its subsidiaries and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and any of our respective affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company, our affiliates and/or any other persons, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or for the account of its customers in debt or equity securities or senior loans of our Company or our affiliates. This is a result of the businesses of CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers currently have or in the future, may have interest or take actions that may conflict with the interests of our Group.

CIMB Group has in the ordinary course of its banking business, granted credit facilities to our Company. As at the LPD, the CIMB Group has granted a total of RM645.5 million facilities to our Company, of which the outstanding amount owing by our Company to the CIMB Group was approximately RM310.1 million. It is expected that our Company will channel part of the proceeds raised from the Public Issue to repay up to approximately RM100.0 million of the amount owing to the CIMB Group, pursuant to provisions set out in the relevant facility agreements where in the event of a listing of our Company on any stock exchanges, the proceeds raised from the said listing shall be used to repay the said facility.

CIMB Group is of the view that the aforementioned extension of credit facilities does not result in conflict of interest situations as the credit facilities are not material when compared to the audited total assets of the CIMB Group of approximately RM337.1 billion as at 31 December 2012. Furthermore, the extension of the credit facilities arose in the ordinary course of business of the CIMB Group in view of the CIMB Group's extensive participation in the ASEAN banking industry.

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11.3.2 Declaration by Credit Suisse and Credit Suisse Malaysia

Credit Suisse is of the view that, notwithstanding loans extended by affiliates of Credit Suisse to certain Selling Shareholders, it has no conflict of interest in its capacity as a Joint Global Coordinator and Joint Bookrunner in our Listing in light of the fact that Credit Suisse believes that neither it nor its affiliates will receive any material amount of proceeds from the IPO, except with respect to the fees and expenses of Credit Suisse in connection with our IPO.

Credit Suisse Malaysia is of the view that, notwithstanding loans extended by affiliates of Credit Suisse Malaysia to certain Selling Shareholders, it has no conflict of interest in its capacity as a Joint Bookrunner in our Listing in light of the fact that Credit Suisse Malaysia believes that neither it nor its affiliates will receive any material amount of proceeds from the IPO, except with respect to the fees and expenses of Credit Suisse Malaysia in connection with our IPO.

11.3.3 Declaration by Maybank IB

Maybank IB is not aware of any circumstances that exist or are likely to exist that may give rise to a possible conflict of interest in relation to its capacity as a Joint Global Coordinator and a Joint Bookrunner in relation to the Institutional Offering as well as a Joint Managing Underwriter and Joint Underwriter for the Retail Offering.

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, be engaged in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group or any other entity or transactions for its own account or the account of its customers in debt or equity securities or senior loans. This is a result of the business of the Maybank Group generally acting independent of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Company. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require amongst others, segregation between dealing and advisory activities and Chinese walls between different business divisions.

Maybank Group has in the ordinary course of its banking business, granted credit facilities to our Company. Maybank Group is of the view that the aforementioned extension of credit facilities does not result in conflict of interest situations as the credit facilities were granted in the ordinary course of business and are not material when compared to the audited total assets of the Maybank Group as at 31 December 2012.

11.3.4 Declaration by Barclays

Barclays confirms that there is no conflict of interest in its capacity as Joint Bookrunner in connection with our IPO.

11.3.5 Declaration by BNP Paribas

BNP Paribas and its affiliates, subsidiaries, branches and associates (collectively the "**BNPP Group**"), in its capacity as principal or agent, are, and may in the future be, involved in a wide range of commercial banking, investment banking and other activities globally (including but not limited to investment management, asset management, wealth management, corporate finance and advisory, and securities issuance, brokerage, trading and research) out of which conflicting interests or duties may arise. The BNPP Group has engaged, and may in the future engage, in transactions with, and has performed, and may in the future perform, services for our Company and members of our Group, in addition to the role set out in this Prospectus. In addition, in the ordinary course of its global commercial banking and investment banking activities, BNP Paribas and other members of the BNPP Group may at any time offer or provide services to or engage in any transaction (on its own account or otherwise) with our Company, members of our Group and/or any other persons, including but not limited to holding long or short positions in securities issued by our Company or members of our Group, making investment recommendations and/or publishing or expressing independent research views in respect of such securities and trading or otherwise effecting transactions, for its own account or the accounts of its customers, in debt or equity securities (or related derivative instruments) or senior loans of our Company or members of our Group.

BNP Paribas is of the view that as at the lodgement date of this Prospectus, it does not have a conflict of interest which prevents it from acting in its capacity as the Joint Bookrunner as set out in this Prospectus.

11.3.6 Declaration by Citi

Citi and its affiliates, subsidiaries, branches and associates (together the "**Citi Group**") in its capacity as principal or agent, is, and may in the future be, involved in a wide range of commercial banking, investment banking and other activities globally (including but not limited to investment management, asset management, wealth management, corporate finance and advisory, and securities issuance, brokerage, trading and research) out of which conflicting interests or duties may arise. The Citi Group has engaged, and may in the future engage, in transactions with, and has performed, and may in the future perform, services for our Company and members of our Group, in addition to the role set out in this Prospectus. In addition, in the ordinary course of its global commercial banking and investment banking activities, Citi and other members of the Citi Group may at any time offer or provide services to or engage in any transaction (on its own account or otherwise) with our Company, members of our Group and/or any other persons, including but not limited to holding long or short positions in securities issued by our Company or members of our Group, making investment recommendations and/or publishing or expressing independent research views in respect of such securities and trading or otherwise effecting transactions, for its own account or the accounts of its customers, in debt or equity securities (or related derivative instruments) or senior loans of our Company or members of our Group.

Citi confirms that, as at the LPD, it has no conflict of interest in acting in its capacity as Joint Bookrunner in our IPO.

11.3.7 Declaration by CLSA

In the ordinary course of business, CLSA and/or its affiliated companies (collectively, the "**CLSA Group**") do or may engage in transactions with and perform services for our Company and/or our affiliates. Members of the CLSA Group may extend credit facilities or may engage in private banking, commercial banking and investment banking transactions including, inter alia, brokerage, securities trading, asset and funds management and credit transaction services in their ordinary course of business with our Company and/or our affiliates. Further, any member of the CLSA Group may at any time offer or provide its services to, or engage in any transactions (on its own account or otherwise), with our Company and/or our affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates.

CLSA confirms that, as at the LPD, there is no conflict of interest which prevents it from acting in its capacity as Joint Bookrunner in connection with our IPO.

11.3.8 Declaration by HSBC

The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries including HSBC Bank Malaysia Berhad (collectively, "**HSBC Group**") do engage in transactions with and perform services for our Company. HSBC Group have extended credit facilities and/or have engaged and in the future may engage in transactions in the ordinary course of their banking business with our Company.

Part of the proceeds arising from our IPO are expected to be used to repay the credit facilities extended to our Company by HSBC Bank Malaysia Berhad. HSBC is of the view that this does not give rise to any conflict of interests in its capacity as Joint Bookrunner in connection with our IPO.

11.3.9 Declaration by Morgan Stanley

Morgan Stanley, together with its affiliates, is a global financial services firm engaged in a wide range of securities trading and brokerage activities, investment banking, financial advisory, investment management, and wealth management and commodities trading businesses. Morgan Stanley and/or its affiliates may, in the ordinary course of business, engage in any one or more of the following:

(i) perform investment banking transactions with or provide services to our Company and/or our affiliates and/or our ultimate substantial shareholder ORIX Corporation and its affiliates for which they have received or may in the future receive compensation;

(ii) acquire shares where legally permissible in the IPO other than as a Joint Bookrunner for the Institutional Offering outside Malaysia;

(iii) trade the securities of our Company and/or our affiliates for its own account and for the accounts of its customers, and may at any time hold a long or short position in such securities;

(iv) enter into commodity trading and hedging transactions with our Company and/or our affiliates for its own account.

In addition, an employee of its affiliate is a director of ORIX Corporation, a parent company to a substantial shareholder of our Company.

Morgan Stanley is of the view that notwithstanding the above, as at the lodgement date of this Prospectus it does not have a conflict of interest that prevents it from acting in its capacity as our Joint Bookrunner in connection with our IPO.

11.3.10 Declaration by PricewaterhouseCoopers

PricewaterhouseCoopers has confirmed that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants for our Company in relation to our IPO.

11.3.11 Declaration by KIBB

KIBB has confirmed that there is no conflict of interest in its capacity as a Joint Managing Underwriter and Joint Underwriter for the Retail Offering and a Co-Lead Manager for the Institutional Offering in Malaysia.

11.3.12 Declaration by RHB

RHB has confirmed that there is no conflict of interest in its capacity as a Joint Managing Underwriter and Joint Underwriter for the Retail Offering and a Co-Lead Manager for the Institutional Offering in Malaysia.

11.3.13 Declaration by AFFIN

AFFIN has confirmed that there is no conflict of interest in its capacity as a Joint Underwriter for the Retail Offering.

11.3.14 Declaration by MIDF

MIDF has confirmed that there is no conflict of interest in its capacity as a Joint Underwriter for the Retail Offering.

11.3.15 Declaration by Christopher Lee & Co.

Christopher Lee & Co. has confirmed that there is no conflict of interest in its capacity as Legal Adviser to our Company as to Malaysian law and for our IPO.

11.3.16 Declaration by Pillsbury Winthrop Shaw Whitman LLP

Pillsbury Winthrop Shaw Whitman LLP has confirmed that there is no conflict of interest in its capacity as Legal Adviser to our Company as to United States and English law, in relation to our IPO.

11.3.17 Declaration by Zaid Ibrahim & Co

Zaid Ibrahim & Co has confirmed that there is no conflict of interest in its capacity as Legal Adviser to the Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters, Joint Underwriters and Co-Lead Managers as to Malaysian law.

11.3.18 Declaration by Allen & Overy LLP

Allen & Overy LLP has confirmed that there is no conflict of interest in its capacity as Legal Adviser to the Joint Global Coordinators and Joint Bookrunners as to United States and English law.

11.3.19 Declaration by S-A-P

S-A-P has confirmed that there is no conflict of interest in its capacity as the Independent Market Research Consultant in relation to our IPO.

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12. FINANCIAL INFORMATION

12.1 Introduction

We are a leading low-cost, Long-haul airline, operating primarily in the Asia Pacific Region. Based upon our breakthrough business model, we believe that we have the lowest unit cost base of any airline in the world[(8)], with a CASK of US¢3.74 and CASK (excluding fuel) of US¢1.90 for the year 2012. This implies a 67.3% and 75.3% lower CASK and CASK (excluding fuel), respectively, as compared to the average CASK and CASK (excluding fuel) of the 10 largest FSCs based in the Asia Pacific Region (ranked by operating revenue) that reported these figures (source: S-A-P). This in turn has enabled us to offer fares[(9)] that are targeted, on average, to be 30% - 50% lower than FSCs and to stimulate new market demand – whereby passenger volumes between Kuala Lumpur and other destinations we serve grew by an average of over 90% from the year before the launch of each of our routes to the year ended 31 December 2012.

We currently serve 14 destinations across Asia (Tokyo, Osaka, Seoul, Taipei, Beijing, Hangzhou, Chengdu, Shanghai and Kathmandu), Australia (Sydney, Melbourne, Perth and Gold Coast) and the Middle East (Jeddah), with flights to an additional destination, namely Busan, commencing in July 2013. We currently operate a fleet of 10 A330-300s for scheduled services, and have 2 A340-300s which are currently wet-leased. We have also accepted delivery of an additional A330-300, scheduled to commence operations in July 2013. Our fleet represents the largest LCC wide-body aircraft seat capacity in the Asia Pacific Region.

We have achieved a CAGR in passenger volume and RPK traffic of 76.8%, and 76.5%, respectively, from 2008 to 2012. Our revenue has grown from RM230.7 million in 2008 to RM2.0 billion in 2012, representing a CAGR of 70.9%. This growth includes our withdrawn routes, details of which are set out in Section 7.6.5 of this Prospectus.

We have achieved this growth despite the global economic downturn and other external shocks that have affected the global airline industry and the markets that we serve during this period. We believe that we are one of the fastest growing start-up LCC airlines in terms of RPK growth in the world, after taking into account our year of launch (2007) and our current RPK (in 2012), as compared to the RPK of other global LCCs based on publicly available data.

12.2 Historical Consolidated Income Statements and Statements of Comprehensive Income

The following historical audited consolidated income statements and statements of comprehensive income of our Group for the years ended 31 December 2010, 2011 and 2012 have been derived from the Accountants' Report in Section 13 of this Prospectus and our historical unaudited consolidated income statements and statements of comprehensive income for the 3 months ended 31 March 2012 and 2013 have been prepared by our Management. The historical audited and unaudited consolidated income statements and statements of comprehensive income should be read in conjunction with Section 12.8 herein and the Accountants' Report in Section 13 of this Prospectus and our quarterly report for the 3 months ended 31 March 2013 and related notes as set out in Annexure D of this Prospectus, respectively. The historical financial information included in this Prospectus is not a forecast of our Group's results of operations, financial position and cash flows in the future, and our Group's past operating results are not necessarily indicative of our Group's future operating performance.

For avoidance of doubt, the financial information reflected in USD for the financial years / periods presented are unaudited.

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(8) *Based on comparisons performed against the top 10 FSCs and LCCs by operating revenue based in the Asia Pacific Region and the averages of the top 10 FSCs and LCCs by operating revenue based in Europe and North America, details as set out in the 'Key Financial and Operating Performance' table in Section 2.8 of S-A-P's report in Section 8 of this Prospectus*

(9) *Inclusive of ancillary charges for seat selection, 20kg baggage, meal and airport taxes*

12. FINANCIAL INFORMATION (cont'd)

The audited consolidated financial statements for our Group were not subject to any audit modification for the years ended 31 December 2010, 2011 and 2012.

	Audited				Unaudited		
	Year ended 31 December				3 months ended 31 March		
	2010	2011	2012	2012	2012	2013	2013
	RM 000			USD 000	RM 000		USD 000
Revenue							
- Scheduled flights	994,070	1,410,379	1,283,577	415,397	382,827	353,883	114,897
- Charter flights	8,648	4,218	67,848	21,957	2,754	15,577	5,057
- Fuel surcharge	2	44,427	148,226	47,970	34,468	49,769	16,159
- Freight and cargo	54,966	96,471	79,267	25,653	24,640	19,914	6,466
- Ancillary revenue	237,668	307,137	363,934	117,778	91,213	96,255	31,252
- Refund	(6,400)	(615)	(1,799)	(582)	(6)	(211)	(69)
- Management fees	148	364	364	118	93	90	29
- Others	-	-	26,010	8,417	720	-	-
Total revenue	1,289,102	1,862,381	1,967,427	636,708	536,709	535,277	173,791
Operating expenses							
- Staff costs	(125,234)	(158,418)	(180,498)	(58,414)	(44,649)	(45,627)	(14,814)
- Depreciation of property, plant and equipment	(101,791)	(104,837)	(107,097)	(34,659)	(26,570)	(26,788)	(8,697)
- Aircraft fuel expenses	(597,875)	(1,018,428)	(925,294)	(299,448)	(263,212)	(226,704)	(73,605)
- Maintenance, overhaul, user charges and other related expenses	(229,190)	(306,157)	(381,545)	(123,477)	(92,537)	(94,450)	(30,666)
- Aircraft operating lease expenses	(74,320)	(145,803)	(152,408)	(49,323)	(37,960)	(37,771)	(12,263)
- Other operating expenses	(192,832)	(203,129)	(178,598)	(57,799)	(39,724)	(47,430)	(15,399)
Total operating expenses	(1,321,242)	(1,936,772)	(1,925,440)	(623,120)	(504,652)	(478,770)	(155,444)
Other income	39,338	14,282	6,981	2,259	1,335	1,082	351
Operating profit / (loss)	7,198	(60,109)	48,968	15,847	33,392	57,589	18,698
Finance income	2,143	6,002	1,876	607	366	327	106
Finance costs	(55,073)	(52,245)	(56,438)	(18,265)	(11,843)	(13,529)	(4,393)
Foreign exchange gain / (loss) on borrowings	143,687	(25,082)	43,599	14,110	34,998	(9,622)	(3,124)
PBT / (LBT)	97,955	(131,434)	38,005	12,299	56,913	34,765	11,287
Taxation							
- Current taxation	(641)	(1,556)	900	291	(259)	(82)	(27)
- Deferred taxation	49,288	36,361	(5,055)	(1,636)	(8,122)	15,514	5,037
Total taxation	48,647	34,805	(4,155)	(1,345)	(8,381)	15,432	5,010
PAT / (LAT)	146,602	(96,629)	33,850	10,954	48,532	50,197	16,297
Other comprehensive gain, net of tax							
- Foreign currency translation differences	4	(69)	(1)	*	1	30	10
Total comprehensive income for the financial year	146,606	(96,698)	33,849	10,954	48,533	50,227	16,307
Total comprehensive income attributable to:							
- Equity holders of the Company	146,606	(96,698)	33,849	10,954	48,533	50,227	16,307
- Non-controlling interests	-	-	-	-	-	-	-
	146,606	(96,698)	33,849	10,954	48,533	50,227	16,307

* *Negligible*

12. FINANCIAL INFORMATION (cont'd)

	Year ended 31 December				3 months ended 31 March		
	2010	2011	2012	2012	2012	2013	2013
	RM 000			USD 000	RM 000		USD 000
Other selected financial data:							
Gross profit[1]	163,408	168,535	290,699	94,077	87,151	120,799	39,221
EBITDAR[2]	183,309	190,531	308,473	99,829	97,922	122,148	39,658
EBITDA[2]	108,989	44,728	156,065	50,506	59,962	84,377	27,395
Gross profit margin (%)[3]	12.7%	9.0%	14.8%	14.8%	16.2%	22.6%	22.6%
EBITDAR margin (%)[4]	14.2%	10.2%	15.7%	15.7%	18.2%	22.8%	22.8%
EBITDA margin (%)[5]	8.5%	2.4%	7.9%	7.9%	11.2%	15.8%	15.8%
PBT / (LBT) margin (%)[6]	7.6%	(7.1)%	1.9%	1.9%	10.6%	6.5%	6.5%
PAT / (LAT) margin (%)[7]	11.4%	(5.2)%	1.7%	1.7%	9.0%	9.4%	9.4%
Basic earnings / (losses) per ordinary share (sen)[8]	62.2	(36.2)	12.7	4.1	18.2	18.8	6.1
Diluted earnings / (losses) per ordinary share (sen)[9]	62.2	(36.2)	12.7	4.1	18,2	18.8	6.1

Notes:

(1) *Computed based on total revenue less all direct costs which include staff costs, fuel and oil, maintenance, overhaul and user charges, meals and merchandise, sales and distribution, aircraft operating lease expenses and ramp and other operating costs.*

(2) *EBITDA represents earnings before finance cost, taxation, depreciation and amortisation, while EBITDAR represents earnings before finance cost, taxation, depreciation, amortisation and aircraft rental expenses. The table below sets forth the reconciliations of our PAT / (LAT) to EBITDA and EBITDAR.*

	Audited				*Unaudited*		
	Year ended 31 December				*3 months ended 31 March*		
	2010	*2011*	*2012*	*2012*	*2012*	*2013*	*2013*
	RM 000			*USD 000*	*RM 000*		*USD 000*
PAT / (LAT)	*146,602*	*(96,629)*	*33,850*	*10,954*	*48,532*	*50,197*	*16,297*
Taxation	*(48,647)*	*(34,805)*	*4,155*	*1,345*	*8,381*	*(15,432)*	*(5,010)*
PBT / (LBT)	*97,955*	*(131,434)*	*38,005*	*12,299*	*56,913*	*34,765*	*11,287*
Finance income	*(2,143)*	*(6,002)*	*(1,876)*	*(607)*	*(366)*	*(327)*	*(106)*
Finance cost	*55,073*	*52,245*	*56,438*	*18,265*	*11,843*	*13,529*	*4,393*
Foreign exchange (gain) / loss on borrowings	*(143,687)*	*25,082*	*(43,599)*	*(14,110)*	*(34,998)*	*9,622*	*3,124*
Depreciation	*101,791*	*104,837*	*107,097*	*34,659*	*26,570*	*26,788*	*8,697*
EBITDA	*108,989*	*44,728*	*156,065*	*50,506*	*59,962*	*84,377*	*27,395*
Aircraft operating lease expenses	*74,320*	*145,803*	*152,408*	*49,323*	*37,960*	*37,771*	*12,263*
EBITDAR	*183,309*	*190,531*	*308,473*	*99,829*	*97,922*	*122,148*	*39,658*

EBITDA, EBITDAR, as well as the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with the FRS and MFRS. EBITDA and EBITDAR are not measurements of financial performance or liquidity under the FRS and MFRS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with the FRS and MFRS or as alternatives to cash flows from operating activities or as measures of liquidity.

The EBITDA and EBITDAR presented herein may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA and EBITDAR to the EBITDA and EBITDAR presented by other companies because not all companies use the same definition.

(3) *Computed based on the gross profit divided by total revenue of our Group.*

(4) *Computed based on the EBITDAR divided by total revenue of our Group.*

(5) *Computed based on the EBITDA divided by total revenue of our Group.*

(6) *Computed based on the PBT / (LBT) divided by total revenue of our Group.*

(7) *Computed based on the PAT / (LAT) divided by total revenue of our Group.*

(8) *Computed based on PAT / (LAT) divided by weighted average number of ordinary shares of our Group.*

(9) *Computed based on PAT / (LAT) divided by weighted average number of ordinary shares of our Group.*

12.3 Historical Operating Data

The following tables set forth the certain selected unaudited operating data for our Group's scheduled flights for the periods indicated.

	Year ended 31 December			3 months ended 31 March	
	2010	2011	2012	2012	2013
Operating data:					
Seat capacity	2,504,005	3,159,866	3,072,981	796,968	770,965
Passengers carried	1,920,916	2,526,181	2,580,946	691,639	647,366
RPK(1) (millions)	10,382	14,143	13,601	3,927	3,270
ASK(2) (millions)	13,573	17,648	16,231	4,535	3,885
Passenger load factor(3) (%)	76.5%	80.1%	83.8%	86.6%	84.2%
Average passenger fares(4)					
(RM)	517.50	575.89	554.76	603.34	623.53
(USD)	160.71	188.20	179.53	197.17	202.44
Average ancillary revenue per passenger(5)					
(RM)	125.33	122.69	142.36	133.12	150.36
(USD)	38.92	40.09	46.07	43.50	48.82
Revenue per RPK(6)					
(sen)	12.53	13.21	14.31	13.67	16.40
(US¢)	3.89	4.32	4.63	4.47	5.32
Revenue per ASK(7)					
(sen)	9.58	10.59	12.00	11.84	13.80
(US¢)	2.98	3.46	3.88	3.87	4.48
Cost per ASK(8)					
(sen)	9.00	10.94	11.56	10.95	12.37
(US¢)	2.80	3.58	3.74	3.58	4.02
Cost per ASK (excluding fuel)(9)					
(sen)	4.60	5.17	5.86	5.15	6.54
(US¢)	1.43	1.69	1.90	1.68	2.12
Number of aircraft at year / period end	11	11	9	11	9
Average number of aircraft(10)	9.0	11.0	9.8	11.0	9.0
Number of sectors flown	6,768	8,508	8,187	2,148	2,045
Average stage length (kilometres)(11)	5,518	5,664	5,306	5,771	5,039
Aircraft utilisation (block hours per day)(12)	15.7	15.8	16.2	16.3	16.5
ASK per aircraft(13) (millions)	1,508	1,604	1,656	412	432
Fuel consumed (barrels) (scheduled and charter flights)	2,006,609	2,605,806	2,311,101	679,202	539,676
Average fuel price (USD per barrel)(14)	92.50	127.80	129.59	126.64	136.33
On time performance(15) (%)	78%	88%	85%	83%	88%
Cargo data:					
Available tonne per kilometre ("ATK") (millions)(16)	225	283	278	91	58
Freight tonne per kilometre ("FTK") (millions)(17)	134	195	159	54	34
Cargo load factor(18)	59.6%	68.9%	57.2%	59.3%	58.6%
Cargo revenue per FTK(19)					
(sen)	41.02	49.47	49.85	45.63	58.57
(US¢)	12.74	16.17	16.13	14.91	19.02

Notes:

(1) *Represents revenue passenger kilometres, which is the number of paying passengers carried on scheduled flights multiplied by the number of kilometres those passengers were flown.*

(2) *Represents available seat kilometres, which is the total number of seats available on scheduled flights multiplied by the number of kilometres those seats were flown.*

(3) *Represents RPK as a proportion to ASK.*

(4) *Represents revenue from passenger seat sales on scheduled flights plus fuel surcharge, divided by the passengers carried on scheduled flights during the period.*

(5) *Represents ancillary revenue plus revenue from the sale of our AirAsia Insure products which is contained in the line item "Other income" in our audited and unaudited consolidated income statements included in this Prospectus.*

(6) *Calculated as (i) total revenue (including charter flights), as adjusted for certain revenue and expense items which are contained in the line item "Other income" in our audited and unaudited consolidated income statements included in this Prospectus relating to the operation of our airline services, including, but not limited to, airport taxes, revenue from the sale of our AirAsia Insure products and insurance claims, (ii) divided by RPK.*

(7) *Calculated as (i) total revenue (including charter flights), as adjusted for certain revenue and expense items that are contained in the line item "Other income" in our audited and unaudited consolidated income statements included in this Prospectus relating to the operation of our airline services, including, but not limited to, airport taxes, revenue from the sale of our AirAsia Insure products and insurance claims, (ii) divided by ASK.*

(8) *Calculated as (i) total operating expenses (including charter flights), as adjusted for airport taxes and to exclude certain fees related to the retirement of borrowings, unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.*

(9) *Calculated as (i) total operating expenses (including charter flights) excluding aircraft fuel expenses, as adjusted for airport taxes and to exclude certain fees related to the retirement of borrowings, unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.*

(10) *Calculated based on the sum of each of the quotients obtained by dividing the total number of days each operational aircraft was owned or leased by our Group during a period by the total number of days within such period.*

(11) *Represents the average number of kilometres flown per flight.*

(12) *Represents the average block hours per day per aircraft during the relevant period. Block hours are calculated by measuring the duration between the time of departure of an aircraft and the time of arrival at its destination.*

(13) *Calculated as ASK divided by the average number of aircraft.*

(14) *Calculated as average price for fuel oil for the period based on the reported mean price of fuel oil reported by Platts.*

(15) *A flight is deemed "on time" if the actual departure time is no more than 15 minutes later than the scheduled departure time.*

(16) *Calculated as the amount of cargo tonnage capacity on scheduled flights multiplied by the number of kilometres that cargo tonnage capacity was flown.*

(17) *Calculated as the number of tonnes of cargo carried on scheduled flights multiplied by the number of kilometres those tonnes of cargo were flown.*

(18) *Represents cargo volume (tonnes) as a proportion to total cargo tonnage capacity.*

(19) *Calculated as cargo revenue divided by FTK.*

12.4 Factors Affecting Our Results of Operations

Our revenue and results of operations are primarily driven by available aircraft capacity as measured by ASK, which is based on the number of aircraft in our fleet, our aircraft utilisation rate, and our ability to generate demand to fill up our available aircraft capacity, as measured by our load factors and average fares earned per passenger.

12.4.1 Aircraft Capacity

We measure our passenger capacity in two ways, first by seat capacity, which is the number of seats that are available to our passengers for sale during the relevant period, and secondly, by ASKs. We currently operate a fleet of 10 A330-300s, which each provide for 377 seats, in a 12-premium and 365-economy seat configuration.

Our increase in aircraft capacity is evidenced by our growth in seat capacity from 2.5 million seats in 2010 to 3.2 million in 2011 with a slight decrease to 3.1 million in 2012 and our growth in ASKs from 13,573 million in 2010 to 17,648 million in 2011 with a decrease to 16,231 million in 2012. The decrease in both seat capacity and ASKs in 2012 as compared to 2011 are as a result of the decrease in the average number of aircraft from 11 in 2011 to approximately 10 in 2012 as a result of the redeployment of our 2 A340-300s previously used for our London and Paris routes for wet leases during 2012. We have committed to take delivery of an additional 22 A330-300s up to 2017 and have ordered 10 A350-900s to be delivered from 2018 onwards in order to execute our route development plan and increase our total aircraft capacity. Our ability to generate revenue is dependent upon our ability to provide sufficient aircraft capacity to service the demand from our customers.

12.4.2 Aircraft Utilisation

We seek to maximise our yield and revenues by achieving a high daily aircraft utilisation rate. The key drivers of our aircraft utilisation rate are securing air traffic rights and landing and departure slots, maintaining an efficient aircraft turnaround time and ensuring a high-quality and time-efficient aircraft maintenance programme.

For the years 2010, 2011 and 2012, our average aircraft utilisation, measured by block hours per day per aircraft was 15.7, 15.8 and 16.2, respectively, each of which is at least 40.0% higher than the average 10.9 hours per day recorded by the top 10 FSCs based in the Asia Pacific Region (ranked by operating revenue) that report such data, according to S-A-P. For the 3 months ended 31 March 2013, our aircraft utilisation rate was 16.5 hours. We estimate that our maximum aircraft utilisation rate is approximately 17.0 hours per day. Higher aircraft utilisation rates result in lower unit costs, given the higher number of passengers carried in relation to fixed operating costs. Our aircraft utilisation is dependent upon the following factors:

(i) **Traffic Routes:** Our aircraft utilisation is in part affected by the traffic routes which we serve. Air traffic rights specify the permitted destinations, volume and frequency of flights to a country. There may be caps placed on the number of total seats on the aircraft that an airline is allowed to fly to a particular airport. Having sufficient air traffic rights in our target markets is critical for us to match available capacity to the specified route. If the appropriate traffic rights are not obtained, or if any of our air traffic rights are revoked, we may not be able to utilise our full aircraft capacity.

To date, we have obtained and are in possession of all traffic rights required to operate on our routes, and have not had any of our traffic rights revoked.

(ii) **Arrival and Departure Slots:** Our ability to maximise our aircraft utilisation depends on securing both arrival and departure time slots that fit an optimal aircraft flying pattern (rotation). Some airports that we serve, such as Beijing, Shanghai, and Haneda, face slot congestions and have limited flexibility to offer slot choices. Others such as Sydney and Gold Coast operate with curfew constraints (typically from 11:00 p.m. to 6:00 a.m.). We try to maintain a balance of airports without slot constraints to offset those with slot constraints to achieve our target aircraft utilisation rate.

(iii) **Turnaround Time:** Turnaround time between the time our aircraft arrives at an airport and the time it subsequently departs for its next destination is another factor that drives utilisation. Using precision timing management, we target a turnaround time for our aircraft within 60 to 75 minutes. As evidence of our commitment to short turnaround time, we achieved an on-time performance rate of 85% and 88% on-time departure (i.e., 85% and 88% of our flights departed within 15 minutes of scheduled time) in 2012 and the 3 months ended 31 March 2013, respectively.

(iv) **Maintenance:** We focus on implementing a high-quality and time-efficient aircraft maintenance programme to ensure that our aircraft operate with industry-leading reliability rates while minimising down-time from scheduled or unscheduled maintenance work. By having a strong maintenance programme focused on predictive and preventive maintenance, we attempt to minimise unscheduled maintenance downtime to increase aircraft utilisation.

Aircraft utilisation rates, however, can be influenced by a number of factors that are outside our control, including air traffic and airport congestion at the airports within our route network (particularly at our hub), adverse weather conditions, security requirements, unforeseen mechanical problems with our aircraft and delays of third party contractors for services such as ground handling and refuelling.

Any delays could affect our aircraft utilisation rate but are not expected to result in significant incremental cost, as most of our costs, such as aircraft engineering cost, ground handling cost and airport charges tend to be fixed on a per turnaround basis. Furthermore, delays typically do not add significantly to airport parking charges as they are initially charged in blocks of 2 to 3 hours. With our standard turnaround time of 75 minutes, delays do not usually result in increased parking charges. Other costs associated with delays include those related to service recovery efforts such as meals and hotel accommodation in the event of longer than expected delays but these costs are not expected to be material.

12.4.3 Passenger Volume

High passenger volumes are essential for our ability to maintain our existing low fare model and to maintain and increase our revenues from scheduled flights and ancillary revenue. Our total passengers carried have increased from approximately 1.9 million in 2010 to 2.6 million in 2012, with our passenger load factor growing from 76.5% in 2010 to 83.8% in 2012.

A key element of our success to date in maintaining high volume of passenger traffic has been our ability to grow the number of passengers served in the markets in which we have chosen to operate. As a result of the increased capacity our services provide and our high-quality, low-fare offering, we have been able to increase total passenger volumes in previously underdeveloped markets. In addition, we have been able to capture market share on our existing routes. To date, we have been able to grow our passenger volumes despite challenging external factors that have adversely affected the aviation industry and the markets in which we operate, such as the global financial crisis, the European ash cloud and other major natural disasters in Asia.

We seek to maximise passenger volume and profitability by developing and maintaining a route network that focuses on high load factors while maintaining low unit costs. We generally take into account 3 primary factors when analysing our route network and evaluating new routes: (i) the strategic fit of the route within our existing network and its potential to increase passenger demand across our entire network, (ii) the overall potential for passenger demand for the route, based on market size, catchment and demographics for the route, and competition from other airlines that service the route, and (iii) the feasibility of establishing the route and the costs and potential profit associated with the route. Factors that have driven us to discontinue certain routes include: (i) increases in fuel costs which made certain of our longer flights less economically viable, (ii) local taxes and fees, including local government taxes and carbon taxes, that increase operating costs, and (iii) local economic conditions, such as the economic downturn in the eurozone, and other matters that may cause a reduction in passenger traffic from one or more of our existing markets.

A key factor that affects our route mix and our overall passenger volume and profitability is the maturity of our routes, or the period of time that we service each particular route. Generally, when we begin service to a new route we tend to start with initial fares below our standard levels to stimulate local demand for our services and we experience lower load factors near the commencement of service as the local population in the new market may be less aware of our services or the AirAsia brand. Accordingly, profitability is typically lower closer to the commencement of operations in a new market, and generally increases as load factors and average fares increase over time to our standard levels. We refer to the routes that we service for a period of at least twelve months as "mature" routes. Generally, we expect our overall profitability to increase over time as the percentage of mature routes within our network increases.

12.4.4 Fuel Prices

The largest component of our total operating expenses is fuel, which include payments for jet fuel and other into-plane costs such as airfield fees, throughput fees and other administrative and processing surcharges. Fuel expenses represented 45.3%, 52.6%, 48.1% and 47.4% of our total operating expenses for the years ended 31 December 2010, 2011 and 2012, and the 3 months ended 31 March 2013, respectively. Our fuel costs fluctuate significantly based on global oil prices, which have historically been, and will in the future continue to be, subject to price volatility due to various external factors that are beyond our control. Our average fuel price increased from USD92.50 per barrel in 2010, to USD127.80 per barrel in 2011, to USD129.59 per barrel during 2012 and to USD136.33 per barrel in the 3 months ended 31 March 2013. Given the material nature of fuel expenses in relation to our total operating expenses, changes in oil prices have a significant impact on our operating expenses and results of operations. Based on our consumption of fuel for the year ended 31 December 2012 and the 3 months ended 31 March 2013, a USD1.00 change in price per barrel of fuel would have impacted our fuel expenses by approximately RM7.1 million and RM1.7 million, respectively, and correspondingly our operating profits by the same amounts.

We negotiate our fuel contracts together with AirAsia Berhad and other members of the AirAsia Group, as the combined volume of fuel for the AirAsia Group allows us to negotiate for a better price than if each of the members of the AirAsia Group were to procure their fuel on a standalone basis. Further, fuel hedging is negotiated together with the other members of the AirAsia Group to obtain more competitive rates. Under these fuel hedging contracts entered into by AirAsia Berhad, gains and losses are apportioned based on the amount of fuel consumed by the respective participating members of the AirAsia Group when the hedging contracts mature, divided by the total budgeted amount of fuel hedged by the AirAsia Group. We do not enter into any fuel hedging contracts directly, and any gain or loss arising from fuel hedging is recognised when risk transfers to our Group, namely upon allocation by AirAsia Berhad to us when we consume the fuel.

To help minimise our fuel burn rate, we implement various fuel management techniques including the use of relatively efficient aircraft, controls over the total weight carried on our aircraft and best practice flight techniques. Our commitment to minimise our fuel burn rate is reflected in our fuel consumed (litres) per 100 ASK which was 2.35, 2.35 and 2.27 in the years ended 31 December 2010, 2011 and 2012, respectively, and 2.21 for the 3 months ended 31 March 2013.

12.4.5 Non-Fuel Operating Expenses

In addition to fuel costs, the primary components of operating expenses include aircraft leases, staff costs, engineering and maintenance expenses and airport operations related costs. We currently operate with one of the lowest unit costs as compared to both low-cost and full-service airlines in the Asia Pacific Region. We further believe we have one of the lowest CASK and CASK (excluding fuel) in the world[(3)]. Our CASK and CASK (excluding fuel) was US¢3.74 and US¢1.90, respectively, for 2012. Our customer demand is primarily based on the low fares we are able to offer as a result of our ability to maintain overall low operating expenses. Therefore, the ability to maintain low non-fuel operating expenses is critical to our business.

As we have added aircraft to our fleet since inception, our total operating expenses have increased significantly. For example, as our average number of aircraft increased from 9 in 2010 to 11 in 2011, our total operating expenses increased from approximately RM1.3 billion in 2010 to approximately RM1.9 billion in 2011. Although we have incurred an average of RM1.9 billion in total operating expenses per annum in the past 2 years, we will incur an increase in acquisition costs and total operating expenses in connection with the acquisition and operation of additional aircraft in the future. Lastly, certain of our non-fuel operating costs, including our maintenance and overhaul costs, are expected to increase over time as our fleet ages.

Certain of our non-fuel operating expenses, including those related to our staff expenses, vary based on the number of flights we operate. Therefore, relatively minor changes in our load factor may lead to an increase in unit costs which may have a material effect on our results of operations. While we seek to manage our non-fuel operating expenses, our non-fuel operating expenses may increase over time and may be influenced by a number of factors that are outside our control, any of which could have a material impact on our business and results of operations.

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(3) *Based on comparisons performed against the top 10 FSCs and LCCs by operating revenue based in the Asia Pacific Region and the averages of the top 10 FSCs and LCCs by operating revenue based in Europe and North America, details as set out in the 'Key Financial and Operating Performance' table in Section 2.8 of S-A-P's report in Section 8 of this Prospectus*

Please refer to "Risk Factors" in Section 5 of this Prospectus for a more detailed discussion of the risk factors which may affect our business, financial condition and results of operations.

12.5 Critical Accounting Policies

Our financial statements for the year ended 31 December 2010 has been prepared in accordance with the Financial Reporting Standards, the Malaysian Accounting Standards Board approved accounting standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act. Our financial statements for the years ended 31 December 2011 and 2012 have been prepared in accordance with the Malaysian Financial Reporting Standards ("**MFRS**"), International Financial Reporting Standards ("**IFRS**") and the provisions of the Companies Act. The MFRS framework is an IFRS-compliant framework and equivalent to IFRS. For a summary of our significant accounting policies, please refer to Note 10 of the Accountants' Report as set out in Section 13 of this Prospectus.

Our financial statements for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 "First-time adoption of MFRS" which provides certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters. We have consistently applied the same accounting policies in our opening MFRS balance sheet as at the date of transition to MFRS of 1 January 2011 and throughout all years presented herein, as if these policies had always been in effect. Save for the required presentation of a balance sheet and related notes as of the date of transition on 1 January 2011, there is no other significant impact on our financial results and position, or changes to the accounting policies of our Group arising from the adoption of this MFRS framework.

Our unaudited interim consolidated financial report for the 3 months ended 31 March 2013 and its related notes as enclosed in Annexure D of this Prospectus was prepared in accordance with MFRS 134 "Interim Financial Reporting" and after taking into consideration paragraph 9.22 and Appendix 9B of the Listing Requirements. The accounting policies and methods of computation adopted for the unaudited interim consolidated financial information are consistent with those adopted for the audited consolidated financial statements for the year ended 31 December 2012 except for the adoption of certain MFRS and amendments to MFRS as set out in Note 2 of the quarterly report as enclosed in Annexure D of this Prospectus. Our unaudited interim consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2012.

The preparation of these financial statements requires us to make estimates and assumptions that affect our reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The preparation of our financial statements also requires us to exercise judgment in the process of applying our accounting policies. Although these estimates and judgments are based on our best knowledge of current events and actions, actual results may differ.

To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. Those accounting policies which we believe involve a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are set out below.

12.5.1 Property, Plant and Equipment

As at 31 December 2012, we had RM1,325.8 million of property, plant and equipment, including RM36.3 million of aircraft engines and RM1,216.0 million of aircraft frames and service potential. In accounting for property, plant and equipment, we review annually the estimated useful lives and residual values of aircraft frames and engines based on factors such as business plan and strategies, expected level of usage, future technological developments and market prices.

The following table shows a breakdown of our key property, plant and equipment groups along with information about estimated useful lives and residual values of these groups:

	Estimated Useful Life (years)
Aircraft engines	4 or 25
Aircraft airframes	6,12 or 25
Aircraft service potential	6 or 10
Aircraft spares	10

Residual values, where applicable, are reviewed annually against prevailing market values at the balance sheet date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. As at 31 December 2012, the estimated residual value for aircraft frames and engines is 10% of their cost.

In estimating the useful lives and residual values of our aircraft frames and engines, we primarily rely upon actual and industry experience with the same or similar aircraft or engine types. Aircraft estimated useful lives are based on historical and anticipated future utilisation of the aircraft.

At each balance sheet date, we evaluate our assets for impairment. Factors that would indicate potential impairment may include, but are not limited to, significant decreases in the market value of the relevant asset, a significant change in the asset's physical condition, and operating or cash flow losses associated with the use of the asset.

12.5.2 Deferred Tax Assets

Our deferred tax assets are recognised on the basis of our projected future profits following the discontinuance of certain loss making routes for the year ended 31 December 2012. Our 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 our future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel prices, maintenance costs and foreign currency movements. These assumptions have been built based on our past performance, and adjusted for non-recurring circumstances and a reasonable growth rate.

12.6 Principal Components of Consolidated Income Statements

12.6.1 Revenue

The following table sets forth the components of our revenue, which are also expressed as a percentage of total revenue, for the periods indicated.

Revenue from scheduled passenger flights and charter flights are recognised upon the completion of transportation services, and where applicable, net of discounts. The value of passenger seats sold for which services have not been rendered is included in current liabilities on our balance sheet as sales in advance. Other revenue, including fuel surcharge, ancillary revenue, and freight and cargo are recognised upon the completion of services rendered, and where applicable, net of discounts.

	Year ended 31 December						3 months ended 31 March			
	2010		2011		2012		2012		2013	
	RM 000	% of total revenue %	RM 000	% of total revenue %	RM 000	% of total revenue %	RM 000	% of total revenue %	RM 000	% of total revenue %
Revenue										
Scheduled flights	994,070	76.9	1,410,379	75.6	1,283,577	65.1	382,827	71.2	353,883	66.0
Fuel surcharge	2	*	44,427	2.4	148,226	7.5	34,468	6.4	49,769	9.3
Scheduled flights including fuel surcharge	994,072	76.9	1,454,806	78.0	1,431,803	72.6	417,295	77.6	403,652	75.3
Ancillary revenue	237,668	18.4	307,137	16.5	363,934	18.5	91,213	17.0	96,255	17.9
AirAsia Insure[(1)]	3,079	0.2	2,799	0.1	3,492	0.2	854	0.2	1,082	0.2
Total ancillary revenue, including AirAsia Insure	240,747	18.6	309,936	16.6	367,426	18.7	92,067	17.2	97,337	18.1
Freight and cargo	54,966	4.3	96,471	5.2	79,267	4.0	24,640	4.6	19,914	3.7
Charter flights	8,648	0.7	4,218	0.2	67,848	3.5	2,754	0.5	15,577	2.9
Refund	(6,400)	(0.5)	(615)	*	(1,799)	(0.1)	(6)	*	(211)	*
Management fees	148	*	364	*	364	*	93	*	90	*
Others	-	-	-	-	26,010	1.3	720	0.1	-	-
Total revenue, including AirAsia Insure	1,292,181	100.0	1,865,180	100.0	1,970,919	100.0	537,563	100.0	536,359	100.0

Notes:

(1) Revenue from the sale of our AirAsia Insure products is contained in the line item "Other income" in our audited and unaudited consolidated income statements included in this Prospectus.

* *Negligible*

	Year ended 31 December					3 months ended 31 March		
	2010	2011	% Change	2012	% Change	2012	2013	% Change
Revenue per RPK[(1)]								
(RM)	12.53	13.21	5.4	14.31	8.3	13.67	16.40	20.0
(USD)	3.89	4.32		4.63		4.47	5.32	
Revenue per ASK[(2)]								
(RM)	9.58	10.59	10.5	12.00	13.3	11.84	13.80	16.6
(USD)	2.98	3.46		3.88		3.87	4.48	

Notes:

(1) Calculated as (i) total revenue (including charter flights), as adjusted for certain revenue and expense items that are contained in the line item "Other income" in our audited and unaudited consolidated income statements included in this Prospectus relating to the operation of our airline services, including, but not limited to, airport taxes, revenue from the sale of our AirAsia Insure products and insurance claims, (ii) divided by RPK.

(2) Calculated as (i) total revenue (including charter flights), as adjusted for certain revenue and expense items that are contained in the line item "Other income" in our audited and unaudited consolidated income statements included in this Prospectus relating to the operation of our airline services, including, but not limited to, airport taxes, revenue from the sale of our AirAsia Insure products and insurance claims, (ii) divided by ASK.

Scheduled flights

Scheduled flights represent revenue from passenger seat sales on scheduled flights. Passenger seat revenue varies depending on the number of passengers carried and the prices at which we sell each seat.

Fuel surcharge

Fuel surcharge represents revenue derived from levies imposed on our passengers on a per ticket basis to defray increases in cost of fuel.

Ancillary revenue

Ancillary revenue includes administrative and other fees, seat fees, change fees, convenience fees, excess baggage fees, inflight sales, and other items and services. Ancillary revenue is primarily affected by the number of passengers on our flights, the price at which we offer our ancillary products and the demand for our ancillary products. Please refer to Section 7.7.4 of this Prospectus for a more detailed discussion of our ancillary product offering.

Freight and cargo

Freight and cargo revenue consists of revenue generated from transporting freight in the cargo hold of our aircraft and from the revenue earned from our inter-lining cargo. Inter-lining cargo is where freight and cargo is transferred from our aircraft to other airlines or vice versa during the freight's or cargo's journey from origin to destination. Cargo revenue varies based on the volume and weight of the cargo carried and the different rates that we charge for different destinations that we service.

Charter flights

Charter flights represent revenue from non-scheduled flights.

Refund

Refund consists of customer refunds paid in connection with flight cancellations or overpayment on scheduled flights.

In the event that the refund request is completed before the flight date, both the revenue and the refund will not be captured in the income statement. The refund will only be captured in the income statement when the refund request is completed after the flight date.

Examples of valid refund requests which are completed after the flight date include circumstances which are beyond the passenger's control, such as illness or death of an immediate family member, wherein such refunds would be 100% of the ticket price. There is no fixed duration within which a customer can make a refund request.

Management fees

Management fees represents revenue received from PT Indonesia AirAsia for the provision of airport management, ground handling, regulatory liaison and marketing and distribution services by us to PT Indonesia AirAsia in respect of its operations out of Australia.

Others

Others consists of revenue received from passenger seat sales for scheduled flights on discontinued routes for which such passengers were reaccommodated to flights provided by other airlines.

12.6.2 Operating Expenses

The following table sets forth our operating expenses, which are also expressed as a percentage of total operating expenses, for the periods indicated.

	Audited						Unaudited			
	Year ended 31 December						3 months ended 31 March			
	2010		2011		2012		2012		2013	
	RM 000	% of operating expenses %	RM 000	% of operating expenses %	RM 000	% of operating expenses %	RM 000	% of operating expenses %	RM 000	% of operating expenses %
Operating expenses										
Staff costs	125,234	9.5	158,418	8.2	180,498	9.4	44,649	8.8	45,627	9.5
Depreciation of property, plant and equipment	101,791	7.7	104,837	5.4	107,097	5.6	26,570	5.3	26,788	5.6
Aircraft fuel expenses	597,875	45.3	1,018,428	52.6	925,294	48.1	263,212	52.2	226,704	47.4
Maintenance, overhaul, user charges and other related expenses	229,190	17.3	306,157	15.8	381,545	19.8	92,537	18.3	94,450	19.7
Aircraft operating lease expenses	74,320	5.6	145,803	7.5	152,408	7.9	37,960	7.5	37,771	7.9
Other operating expenses	192,832	14.6	203,129	10.5	178,598	9.2	39,724	7.9	47,430	9.9
Total operating expenses	1,321,242	100.0	1,936,772	100.0	1,925,440	100.0	504,652	100.0	478,770	100.0

	Year ended 31 December					3 months ended 31 March		
	2010	2011	% Change	2012	% Change	2012	2013	% Change
Cost per ASK[(1)]								
(RM)	9.00	10.94	21.6	11.56	5.7	10.95	12.37	13.0
(USD)	2.80	3.58		3.74		3.58	4.02	
Cost per ASK (excluding fuel)[(2)]								
(RM)	4.60	5.17	12.4	5.86	13.3	5.15	6.54	27.0
(USD)	1.43	1.69		1.90		1.68	2.12	

Notes:

(1) *Calculated as (i) total operating expenses (including charter flights), as adjusted for airport taxes and to exclude certain fees related to the retirement of borrowings, unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.*

(2) *Calculated as (i) total operating expenses (including charter flights) excluding aircraft fuel expenses, as adjusted for airport taxes and to exclude certain fees related to the retirement of borrowings, unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.*

Staff costs

Staff costs consist of the remuneration package of our employees which include basic salaries, bonuses, allowances, travelling and accommodations, medical benefits, compulsory statutory deductions and other related expenses.

Depreciation of 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 the assets' estimated useful lives, which assets include aircraft (engine, airframe and service potential), aircraft spares, aircraft fixtures and fittings, motor vehicles and office equipment, furniture and fittings.

Aircraft fuel expenses

This represents the total fuel costs incurred in the course of business, and any gain or loss arising from fuel hedging transactions. Our hedging savings for the years ended 2010 and 2011 are RM14.5 million and RM2.3 million, respectively. We incurred a marginal loss from hedging transactions of RM1.0 million in 2012. We did not have any fuel hedging transactions in effect during the 3 months ended 31 March 2013.

Maintenance, overhaul, user charges and other related expenses

This consists mainly of route charges, ground handling, cargo handling costs, landing charges, repair and maintenance of aircraft spares and engine and other related expenses.

Aircraft operating lease expenses

This consists of lease expenses incurred for leased aircraft.

Other operating expenses

Other operating expenses mainly consists of various types of advertising costs, inflight meals and merchandise, insurance expenses and other administration expenses.

12.6.3 Other Income

Other income consists primarily of gains from disposal of property, plant and equipment, commission income earned by our Group from AirAsia Insure products, as well as incentives received / receivable by our Group such as airport and marketing incentives.

12.6.4 Finance Income

Finance income consists primarily of interest income on deposits.

12.6.5 Finance Costs

Finance costs consist primarily of interest expense on bank borrowings.

12.6.6 Foreign Exchange Gain / (Loss) on Borrowings

Foreign exchange gain / (loss) on borrowings consists primarily of realised and unrealised foreign exchange gains / (losses) on USD-denominated borrowings.

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12.6.7 Taxation

Taxation represents provision tax payable during the financial year and the recognition of deferred tax assets.

	Audited			Unaudited	
	Year Ended 31 December			3 months ended 31 March	
	2010	2011	2012	2012	2013
	RM 000			RM 000	
Current taxation					
– Malaysian taxation	536	1,161	(863)	259	82
– Foreign taxation	105	395	(37)	-	-
	641	1,556	(900)	259	82
Deferred taxation					
– Origination and reversal of temporary differences	(49,288)	(36,361)	5,055	8,122	(15,514)
	(48,647)	(34,805)	4,155	8,381	(15,432)

The following table sets forth the reconciliation between the Malaysian statutory tax credit/expense and the actual tax credit earned by our Group for the periods indicated.

	Audited			Unaudited	
	Year ended 31 December			3 months ended 31 March	
	2010	2011	2012	2012	2013
	RM 000			RM 000	
PBT / (LBT)	97,955	(131,434)	38,005	56,913	34,765
Tax calculated at Malaysian statutory tax rate of 25%	24,489	(32,859)	9,501	14,228	8,691
Tax effects:					
– tax incentives	(66,160)	-	-	-	(25,792)
– expenses not deductible for tax purposes	6,373	13,287	5,492	1,229	3,629
– income not subject to tax	(35,818)	(3,956)	(9,619)	(7,076)	(1,960)
– investment allowance clawed back on sale and leaseback of aircraft	22,469	-	-	-	-
– over accrual in prior year	-	(11,277)	(1,219)	-	-
Taxation	(48,647)	(34,805)	4,155	8,381	(15,432)

The Ministry of Finance has granted approval to our Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2009 to 31 August 2014, to be set off against 70% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

12.7 Segment Information

The following table sets forth our Group's revenue, EBITDAR / (LBITDAR) and PBT / (LBT) by principal segments for the periods indicated.

	Audited			Unaudited	
	Year ended 31 December			3 months ended 31 March	
	2010	2011	2012	2012	2013
	RM 000			RM 000	
Revenue					
Australia	544,438	606,644	756,399	175,192	234,234
North Asia	391,732	614,543	877,858	198,069	259,947
Middle East[(1)]	42,972	56,668	127,736	21,423	27,448
West Asia[(2)]	-	-	25,410	-	13,648
Sub-total	**979,142**	**1,277,855**	**1,787,403**	**394,684**	**535,277**
India[(3)]	63,083	154,591	28,576	31,794	-
New Zealand[(3)]	-	78,523	48,126	31,451	-
Europe[(3)]	246,877	351,412	103,322	78,780	-
Sub-total	**309,960**	**584,526**	**180,024**	**142,025**	**-**
Total	**1,289,102**	**1,862,381**	**1,967,427**	**536,709**	**535,277**

	Audited			Unaudited	
	Year ended 31 December			3 months ended 31 March	
	2010	2011	2012	2012	2013
	RM 000			RM 000	
EBITDAR / (LBITDAR)					
Australia	87,215	150,771	137,105	69,876	53,139
North Asia	72,406	96,790	145,727	43,612	52,760
Middle East[(1)]	14,622	15,964	55,872	6,389	12,841
West Asia[(2)]	-	-	7,938	-	3,408
Sub-total	**174,243**	**263,525**	**346,642**	**119,877**	**122,148**
India[(3)]	(4,914)	(1,825)	165	2,232	-
New Zealand[(3)]	-	(15,788)	(3,673)	(618)	-
Europe[(3)]	13,980	(55,381)	(34,661)	(23,569)	-
Sub-total	**9,066**	**(72,994)**	**(38,169)**	**(21,955)**	**-**
Total	**183,309**	**190,531**	**308,473**	**97,922**	**122,148**

	Audited			Unaudited	
	Year ended 31 December			3 months ended 31 March	
	2010	2011	2012	2012	2013
	RM 000			RM 000	
PBT / (LBT)					
Australia	51,923	51,175	46,238	59,785	20,419
North Asia	47,759	(16,126)	32,888	24,562	12,169
Middle East[(1)]	12,434	267	36,658	(1,134)	896
West Asia[(2)]	-	-	5,181	-	1,281
Sub-total	**112,116**	**35,316**	**120,965**	**83,213**	**34,765**
India[(3)]	(10,162)	(36,525)	(4,363)	4,013	-
New Zealand[(3)]	-	(37,505)	(12,715)	(4,377)	-
Europe[(3)]	(3,999)	(92,720)	(65,882)	(25,936)	-
Sub-total	**(14,161)**	**(166,750)**	**(82,960)**	**(26,300)**	**-**
Total	**97,955**	**(131,434)**	**38,005**	**56,913**	**34,765**

Notes:

(1) Includes the Tehran route which was subsequently terminated on 15 October 2012, of which the contribution to our revenue during the years / periods under review is immaterial (i.e. less than 5%), further details of which are set out in Section 7.6.5 of this Prospectus.

(2) Represents the Nepal route.

(3) The routes in these markets were subsequently withdrawn during the year ended 31 December 2012, further details of which are set out in Section 7.6.5 of this Prospectus.

For the years ended 31 December 2010, 2011 and 2012, and the 3 months ended 31 March 2013, the contribution of AirAsia X Services Pty Ltd and AirAsia X NZ Limited to our Group's consolidated revenue, EBITDAR / (LBITDAR) and PBT / (LBT) was less than 2%, ranging between nil to RM0.6 million, while the contribution of AAX Capital Ltd and AAX Leasing I Limited was nil.

12.8 Results of Operations

12.8.1 3 Months Ended 31 March 2013 Compared to 3 Months Ended 31 March 2012

Revenue

Scheduled flights. Revenue from passenger seat sales on scheduled flights decreased by RM28.9 million, or approximately 7.6%, to RM353.9 million for the 3 months ended 31 March 2013 as compared to RM382.8 million for the 3 months ended 31 March 2012. This decrease was due primarily to a 3.3% decrease in total seat capacity for the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012 as a result of a reduction in the average number of aircraft from 11 during the 3 months ended 31 March 2012 to 9 during the 3 months ended 31 March 2013. The decrease in the average number of aircraft is due to the redeployment of our 2 A340-300s previously used for the London and Paris routes for wet leases to third parties during the year ended 31 December 2012. As a result of the decrease in seat capacity and the reduction in the average length of the routes from the discontinuation of service to London, Paris and Christchurch, ASKs decreased 14.3% from 4.5 billion in the 3 months ended 31 March 2012 to 3.9 billion in the 3 months ended 31 March 2013. Our passenger load factor decreased from 86.6% in the 3 months ended 31 March 2012 to 84.2% for the 3 months ended 31 March 2013. This slight decrease in load factor was primarily due to increases in our daily flight frequencies on certain of our mature routes. Average passenger fares increased 3.3% to RM623.53 in the 3 months ended 31 March 2013 as compared to RM603.34 during the 3 months ended 31 March 2012 primarily due to the increased maturity of our route network, especially with respect to our China routes.

Fuel surcharge. Revenue from fuel surcharges increased to RM49.8 million in the 3 months ended 31 March 2013 as compared to RM34.5 million in the 3 months ended 31 March 2012. This increase in fuel surcharge revenue is primarily a result of revisions to fuel surcharge rates, which were caused by the increase in average fuel price from USD126.64 for the 3 months ended 31 March 2012 to USD136.33 for the 3 months ended 31 March 2013.

Ancillary revenue. Ancillary revenue including AirAsia Insure increased to RM97.3 million, or approximately 5.7%, for the 3 months ended 31 March 2013 as compared to RM92.1 million for the 3 months ended 31 March 2012. This increase was due primarily to revisions to our rates relating to certain of our ancillary products as well as the introduction of new ancillary products during the period such as the Red Carpet Service. Ancillary revenue including AirAsia Insure as a percent of total revenues including AirAsia Insure was approximately 18.1% in the 3 months ended 31 March 2013 as compared to 17.2% during the 3 months ended 31 March 2012.

Freight and cargo. Freight and cargo revenue decreased 19.2% to RM19.9 million for the 3 months ended 31 March 2013 as compared to RM24.6 million for the 3 months ended 31 March 2012, reflecting both a 36.3% decrease in ATK and 37.0% decrease in FTK in the 3 months ended 31 March 2013. Our cargo load factor remained relatively constant at 58.6% in the 3 months ended 31 March 2013 as compared to 59.3% in the 3 months ended 31 March 2012.

Charter flights. Revenue from charter flights increased from RM2.8 million for the 3 months ended 31 March 2012 to RM15.6 million for the 3 months ended 31 March 2013 due to revenue generated from the wet leases of our 2 A340-300s which previously serviced our now discontinued London and Paris routes.

Others. Others consists of revenue recognised for scheduled flights on our discontinued routes to Mumbai and Delhi amounting to RM0.7 million during the 3 months ended 31 March 2012, for which such passengers were reaccommodated to flights provided by other airlines. We did not have any form of other revenue for the 3 months ended 31 March 2013.

Operating Expenses

Aircraft fuel expenses. Fuel costs decreased 13.9% to RM226.7 million in the 3 months ended 31 March 2013 from RM263.2 million in the 3 months ended 31 March 2012 due primarily to a 20.5% decrease in fuel consumed in the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012. This decrease in fuel consumption was due primarily to the reduction in the length of the routes in our route mix resulting from the discontinuation of services to London, Paris and Christchurch in 2012. This decrease in overall fuel costs was partially offset by the approximate 7.7% increase in average fuel price per barrel in the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012.

Staff costs. Staff costs increased 2.2% to RM45.6 million in the 3 months ended 31 March 2013 from RM44.6 million during the 3 months ended 31 March 2012, due mainly to an increase in the number of our employees.

Depreciation of property, plant and equipment. Depreciation of property, plant and equipment remained relatively constant at RM26.8 million during the 3 months ended 31 March 2013 as compared to RM26.6 million in the 3 months ended 31 March 2012, which reflects the same number of operational aircraft held under finance lease during these periods.

Maintenance, overhaul, user charges and other related expenses. Maintenance, overhaul, user charges and other related expenses remained relatively constant, increasing 2.1% to RM94.5 million in the 3 months ended 31 March 2013 from RM92.5 million in the 3 months ended 31 March 2012.

Aircraft operating lease expense. Aircraft operating lease expense remained relatively constant, decreasing 0.5% to RM37.8 million in the 3 months ended 31 March 2013 from RM38.0 million in the 3 months ended 31 March 2012.

Other operating expenses. Other operating expenses increased 19.4% to RM47.4 million in the 3 months ended 31 March 2013 from RM39.7 million in the 3 months ended 31 March 2012 due primarily to an increase in marketing and promotional expenditures during the 3 months ended 31 March 2013.

As a result of the factors set forth above, cost per ASK increased approximately 13.0% to 12.37 sen and cost per ASK (excluding fuel) increased approximately 27.0% to 6.54 sen in the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012.

Other Income

Other income remained relatively constant at RM1.1 million in the 3 months ended 31 March 2013 as compared to RM1.3 million in the 3 months ended 31 March 2012.

Operating Profit

As a result of the factors set forth above, we achieved an operating profit of RM57.6 million in the 3 months ended 31 March 2013 as compared to an operating profit of RM33.4 million in the 3 months ended 31 March 2012.

Finance Income

Finance income as a proportion of revenue was immaterial for the periods under review.

Finance Costs

Finance costs increased 14.2% from RM11.8 million in the 3 months ended 31 March 2012 to RM13.5 million in the 3 months ended 31 March 2013 primarily due to new banking facilities secured during the 3 months ended 31 March 2013.

Foreign Exchange Gain / (Loss) on Borrowings

As a result of the strengthening of the USD against the RM in the 3 months ended 31 March 2013, we recognised unrealised foreign exchange losses on borrowings of RM9.6 million on our USD-denominated borrowings, as compared to unrealised foreign exchange gains on borrowings of RM35.0 million on our USD-denominated borrowings in the 3 months ended 31 March 2012. As at 31 March 2013, we did not have any form of currency hedging arrangements in place with respect to our USD-denominated borrowings.

PBT

As a result of the factors set forth above, we achieved a profit before taxation of RM34.8 million in the 3 months ended 31 March 2013 as compared to a profit before taxation of RM56.9 million in the 3 months ended 31 March 2012. On a segment basis, PBT for the 3 months ended 31 March 2013 comprised of:

	3 months ended 31 March 2013
	RM 000
PBT	
Australia	20,419
North Asia	12,169
Middle East	896
West Asia	1,281
Sub-total	**34,765**
India	-
New Zealand	-
Europe	-
Sub-total	-
Total	**34,765**

The PBT for the 3 months ended 31 March 2013 was primarily a result of increased operating profits generated from the redeployment of our seating capacity to more profitable routes following the discontinuation of our services to Delhi, Mumbai, Christchurch, London and Paris between February and May 2012. This increase in operating profits from RM33.4 million during the 3 months ended 31 March 2012 to RM57.6 million during the 3 months ended 31 March 2013, was however offset by the unrealised foreign exchange loss on borrowings described above that resulted from unfavourable movements in USD:RM exchange rates.

Taxation

In the 3 months ended 31 March 2013 we recognised a net tax allowance of RM15.4 million, as compared to a net tax liability of RM8.4 million in the 3 months ended 31 March 2012, due primarily to income tax exemptions recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.

PAT

As a result of the factors set forth above, we achieved a net profit of RM50.2 million in the 3 months ended 31 March 2013 as compared to a net profit of RM48.5 million in the 3 months ended 31 March 2012. The increase in net profitability in the 3 months ended 31 March 2013 compared to the same period in 2012 was primarily due to the abovementioned 72.5% increase in operating profits to RM57.6 million in the 3 months ended 31 March 2013 as compared to operating profits of RM33.4 million in the 3 months ended 31 March 2012.

12.8.2 Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue

Scheduled flights. Revenue from passenger seat sales on scheduled flights decreased by RM126.8 million, or approximately 9.0%, to RM1,283.6 million for the year ended 31 December 2012 as compared to RM1,410.4 million for the year ended 31 December 2011. This decrease was due primarily to a 2.7% decrease in total seat capacity in the year ended 31 December 2012 as compared to the year ended 31 December 2011 as a result of a reduction in the average number of aircraft during 2012 from 11 to approximately 10 as compared to 2011. The decrease in the average number of aircraft is due to the redeployment of our 2 A340-300s previously used for the London and Paris routes for wet leases to third parties during the year ended 31 December 2012. As a result of the decrease in seat capacity and the reduction in the average length of the routes from the discontinuation of service to London, Paris and Christchurch, ASKs decreased 8.0% from 17.6 billion in the year ended 31 December 2011 to 16.2 billion in the year ended 31 December 2012. Our passenger load factor increased from 80.1% in the year ended 31 December 2011 to 83.8% for the year ended 31 December 2012. This increase in load factor was primarily due to the increased maturity of our route network. Average passenger fares decreased 3.7% to RM554.76 in the year ended 31 December 2012 as compared to RM575.89 during the year ended 31 December 2011 primarily due to the changes in our route mix as a result of the discontinuation of services as mentioned above, which typically had higher average fares as compared to other routes.

Fuel surcharge. Revenue from fuel surcharges increased to RM148.2 million in the year ended 31 December 2012 as compared to RM44.4 million in the year ended 31 December 2011. This increase in revenue is the result of such fuel surcharges being reintroduced only in September 2011, and continuing to be in effect throughout the year ended 31 December 2012.

Ancillary revenue. Ancillary revenue including AirAsia Insure increased to RM367.4 million, or approximately 18.5%, for the year ended 31 December 2012 as compared to RM310.0 million for the year ended 31 December 2011. This increase was due primarily to the overall increase in number of passengers carried in the year ended 31 December 2012, revisions to our rates relating to certain of our ancillary products and the introduction of Optiontown as a new ancillary product. Ancillary revenue including AirAsia Insure as a percent of total revenues including AirAsia Insure was approximately 18.7% in the year ended 31 December 2012 as compared to 16.6% during the year ended 31 December 2011.

Freight and cargo. Freight and cargo revenue decreased 17.8% to RM79.3 million for the year ended 31 December 2012 as compared to RM96.5 million for the year ended 31 December 2011, reflecting both a 1.8% decrease in ATK and 18.5% decrease in FTK in the year ended 31 December 2012. As a result, our cargo load factor decreased from 68.9% in the year ended 31 December 2011 to 57.2% in the year ended 31 December 2012.

Charter flights. Revenue from charter flights increased significantly from RM4.2 million for the year ended 31 December 2011 to RM67.8 million for the year ended 31 December 2012 due to the wet leases of our 2 A340-300s which previously serviced the now discontinued London and Paris routes.

Others. Others consist of revenue recognised for scheduled flights on discontinued routes to London, Paris, Delhi, Mumbai and Christchurch amounting to RM26.0 million during the year ended 31 December 2012, for which such passengers were reaccommodated to flights provided by other airlines.

Primarily as a result of the increase in total revenue and the reduction in the length of the routes in our route mix due to the discontinuation of service to London, Paris and Christchurch which caused a reduction in both RPK and ASK for the year ended 31 December 2012, revenue per RPK increased 8.3% to 14.31 sen and revenue per ASK increased 13.3% to 12.00 sen in the year ended 31 December 2012 as compared to the year ended 31 December 2011.

Operating Expenses

Aircraft fuel expenses. Fuel costs decreased 9.1% to RM925.3 million in the year ended 31 December 2012 from RM1,018.4 million in the year ended 31 December 2011 due primarily to a 11.3% decrease in fuel consumed in the year ended 31 December 2012. This is due to the reduction in the length of the routes in our route mix resulting from the discontinuation of services to London, Paris and Christchurch in the year ended 31 December 2012. This decrease in overall fuel costs was partially offset by the approximate 1.4% increase in average fuel price per barrel in the year ended 31 December 2012 as compared to the year ended 31 December 2011.

Staff costs. Staff costs increased 13.9% to RM180.5 million in the year ended 31 December 2012 from RM158.4 million during the year ended 31 December 2011, due mainly to annual increments, increase in cabin crew productivity allowance and the accrual of leave balance liability in the year ended 31 December 2012.

Depreciation of property, plant and equipment. Depreciation of property, plant and equipment remained relatively constant at RM107.1 million during the year ended 31 December 2012 as compared to RM104.8 million in the year ended 31 December 2011, which reflects the same number of operational aircraft held under finance lease during these periods.

Maintenance, overhaul, user charges and other related expenses. Maintenance, overhaul, user charges and other related expenses increased 24.6% to RM381.5 million in the year ended 31 December 2012 from RM306.2 million in the year ended 31 December 2011 due primarily to the costs of reaccommodating passengers from our scheduled flights on our routes that were discontinued during the year ended 31 December 2012, which amounted to approximately RM42.3 million.

Aircraft operating lease expense. Aircraft operating lease expense increased 4.5% to RM152.4 million in the year ended 31 December 2012 from RM145.8 million in the year ended 31 December 2011 due to an aircraft lease credit received in the year ended 31 December 2011 which was not received in the year ended 31 December 2012.

Other operating expenses. Other operating expenses decreased 12.1% to RM178.6 million in the year ended 31 December 2012 from RM203.1 million in the year ended 31 December 2011 due primarily to a decrease in marketing and promotional expenditures during the year ended 31 December 2012.

As a result of the factors set forth above, cost per ASK increased approximately 5.7% to 11.56 sen and cost per ASK (excluding fuel) increased approximately 13.3% to 5.86 sen in the year ended 31 December 2012 as compared to the year ended 31 December 2011.

Other Income

Other income decreased to RM7.0 million in the year ended 31 December 2012 from RM14.3 million in the year ended 31 December 2011 due primarily to a decrease in airport incentives received during the year ended 31 December 2012.

Operating Profit / (Loss)

As a result of the factors set forth above, we achieved an operating profit of RM49.0 million in the year ended 31 December 2012 as compared to an operating loss of RM60.1 million in the year ended 31 December 2011.

Finance Income

Finance income as a proportion of revenue was immaterial for the periods under review.

Finance Costs

Finance costs increased 8.0% from RM52.2 million in the year ended 31 December 2011 to RM56.4 million in the year ended 31 December 2012 primarily due to facility fees paid in connection with a new revolving credit facility secured in 2012.

Foreign Exchange Gain / (Loss) on Borrowings

As a result of the weakening of the USD against the RM in the year ended 31 December 2012, we recognised unrealised foreign exchange gains on borrowings of RM43.6 million, as compared to unrealised foreign exchange losses on borrowings of RM25.1 million in the year ended 31 December 2011. As at 31 December 2012, we did not have any form of currency hedging arrangements in place with respect to our USD-denominated borrowings.

PBT / (LBT)

As a result of the factors set forth above, we achieved a profit before taxation of RM38.0 million in the year ended 31 December 2012 as compared to a loss before taxation of RM131.4 million in the year ended 31 December 2011. On a segment basis, PBT / (LBT) for the year ended 31 December 2012 comprised of:

	Year ended 31 December 2012
	RM 000
PBT / (LBT)	
Australia	46,238
North Asia	32,888
Middle East	36,658
West Asia	5,181
Sub-total	**120,965**
India	(4,363)
New Zealand	(12,715)
Europe	(65,882)
Sub-total	**(82,960)**
Total	**38,005**

The PBT for the year ended 31 December 2012 was primarily a result of operating profits generated from the redeployment of our seating capacity to more profitable routes during the year ended 31 December 2012 following the discontinuation of our services to Delhi, Mumbai, Christchurch, London and Paris between February and May 2012 as shown above, paired with higher unrealised foreign exchange gain on borrowings. As a result, we have achieved an improvement in PBT of RM74.0 million in the second half of 2012, as compared to the LBT of RM36.0 million in the first half of 2012. Please refer to Section 7.6.5 of this Prospectus for further details on the aforementioned discontinuation of certain of our routes during the year ended 31 December 2012.

Taxation

In the year ended 31 December 2012 we incurred a net tax liability of RM4.2 million as compared to a net tax allowance of RM34.8 million in the year ended 31 December 2011 due to the RM38.0 million profit before tax generated during the year ended 31 December 2012, as compared to the RM131.4 million loss before tax in the year ended 31 December 2011.

PAT / (LAT)

As a result of the factors set forth above, we achieved a net profit of RM33.9 million in the year ended 31 December 2012 as compared to a net loss of RM96.6 million in the year ended 31 December 2011. The primary reasons for the reversal to profitability in the year ended 31 December 2012 compared to the same period in 2011 were a proportionally greater increase in revenues as compared to operating costs in the year ended 31 December 2012 as compared to 2011 due to the reasons as mentioned above, and the change from foreign exchange losses on our USD-denominated borrowings in 2011 to foreign exchange gains recognised on our USD-denominated borrowings in 2012.

12.8.3 Year Ended 31 December 2011 Compared To Year Ended 31 December 2010

Revenue

Scheduled flights. Revenue from passenger seat sales on scheduled flights increased by RM416.3 million, or approximately 41.9%, to RM1,410.4 million for the year ended 31 December 2011 as compared to RM994.1 million for the year ended 31 December 2010. This increase was due primarily to a 26.2% increase in total seat capacity in 2011 as compared to 2010 as a result of the increase in the average number of aircraft from 9 in 2010 to 11 in 2011. As a result of the increase in seat capacity, ASKs increased 30.0% from 13.6 billion in 2010 to 17.6 billion in 2011. The increase in seat capacity allowed us to service three additional routes to Christchurch, Paris and Osaka throughout 2011. In addition, our load factor increased from 76.5% in 2010 to 80.1% in 2011. As a result of increased capacity and ASKs and an increase in load factor, total passengers carried increased approximately 31.5% to 2.5 million for the year ended 31 December 2011 as compared to 1.9 million passengers carried for the year ended 31 December 2010. The increase in passenger seat sales on scheduled flights also benefited from an approximate 11.3% increase in average passenger fares to RM575.89 in 2011 as compared to RM517.50 in 2010. The increases in average passenger fares and load factor in 2011 as compared to 2010 were primarily due to the increased maturity of our route network.

Ancillary revenue. Ancillary revenue including AirAsia Insure increased to RM310.0 million, or approximately 28.8%, for the year ended 31 December 2011 as compared to RM240.7 million for the year ended 31 December 2010. This increase was due primarily to the 31.5% increase in total passengers carried in 2011 as compared to 2010. Ancillary revenue including AirAsia Insure as a percent of total revenues including AirAsia Insure were approximately 16.6% in 2011, a slight decrease from 18.6% in 2010.

Freight and cargo. Freight and cargo revenue increased to RM96.5 million, or approximately 75.5%, for the year ended 31 December 2011 as compared to RM55.0 million for the year ended 31 December 2010. This increase in cargo revenue was due primarily to the 25.8% and 45.5% increase in ATK and FTK, respectively, in 2011. As a result, our cargo load factor increased from 59.6% in 2010 to 68.9% in 2011.

Primarily as a result of the increases in passenger seat revenue and ancillary revenue as described above, revenue per RPK increased 5.4% to 13.21 sen and revenue per ASK increased 10.5% to 10.59 sen in 2011 as compared to 2010.

Operating Expenses

Aircraft fuel expenses. Fuel costs increased 70.3% to RM1,018.4 million in 2011 from RM597.9 million in 2010 due primarily to an approximate 29.9% increase in fuel consumed in 2011 as compared to 2010 as required to service the additional aircraft capacity in 2011 as represented by the increase in ASKs from 13.6 billion in 2010 to 17.6 billion in 2011. The increase in aircraft fuel expenses was also due in part to the approximate 38.2% increase in average fuel price per barrel in 2011 as compared to 2010.

Staff costs. Staff costs increased 26.5% to RM158.4 million in 2011 from RM125.2 million in 2010 due to the approximate 13.8% increase in total headcount as required to operate the additional aircraft capacity and additional routes served in 2011.

Depreciation of property, plant and equipment. The slight increase in depreciation of property, plant and equipment from RM101.8 million in 2010 to RM104.8 million in 2011 reflects the increase in the number of operational aircraft held under finance lease in 2011.

Maintenance, overhaul, user charges and other related expenses. Maintenance, overhaul, user charges and other related expenses increased 33.6% to RM306.2 million in 2011 from RM229.2 million in 2010 due primarily to additional maintenance fees required to service additional aircraft in 2011 represented by the increase in average number of aircraft from 9 in 2010 to 11 in 2011 and the approximate 30.0% increase in ASKs in 2011 and additional user charges as a result of servicing three additional airports in 2011.

Aircraft operating lease expense. Aircraft operating lease expense increased 96.2% to RM145.8 million in 2011 from RM74.3 million in 2010 due to the increase in the number of operational aircraft held under operating lease in 2011. The additional operating lease expense in 2011 reflects the 2 sale and leaseback transactions and resulting conversion of 2 aircraft from financing leases to operating leases that were completed in August 2010 and the acquisition of one additional aircraft through an operating lease in November 2010.

Other operating expenses. Other operating expenses increased 5.3% to RM203.1 million in 2011 from RM192.8 million in 2010 due primarily to the increase in the number of flights serviced in 2011 as compared to 2010. In addition, other operating expenses increased as the result of the license fees payable to AirAsia Berhad for the AirAsia brand under the Brand Licence Agreement of RM19.3 million in 2011, with no such fees accrued or paid in 2010, as we were charged the fees in aggregate in 2011.

As a result of the factors set forth above, cost per ASK increased approximately 21.6% to 10.94 sen and cost per ASK excluding fuel increased approximately 12.4% to 5.17 sen in 2011 as compared to 2010.

Other Income

Other income decreased 63.6% to RM14.3 million in 2011 from RM39.3 million in 2010 due primarily to the gain of RM27.0 million recognised on the disposal of two aircraft plus additional engines pursuant to sale and leaseback transactions completed in 2010, with RM8.0 million recognised on the disposal of engines pursuant to similar transactions in 2011. The sale and leaseback transactions of the two aircraft completed in 2010 are viewed as non-recurring and not in the ordinary course of business.

Operating Profit / (Loss)

As a result of the factors set forth above, we incurred an operating loss of RM60.1 million in 2011 as compared to an operating profit of RM7.2 million in 2010. Our operating loss in 2011 was primarily attributable to operating losses incurred by our Europe, New Zealand and India segments.

Finance Income

Finance income as a proportion of revenue was immaterial for the years under review.

Finance Costs

Finance costs decreased 5.1% from RM55.1 million in 2010 to RM52.2 million in 2011 primarily as a result of a reduction in overall borrowings resulting from the two sale and leaseback transactions completed in August 2010.

Foreign Exchange Gain / (Loss) on Borrowings

Foreign exchange losses on borrowings in 2011 of RM25.1 million comprised primarily of unrealised foreign exchange losses of RM31.2 million, which was partially offset by realised foreign exchange gains of RM6.1 million. On the other hand, in 2010 we recognised foreign exchange gains on borrowings of RM143.7 million, which comprised of RM98.8 million unrealised foreign exchange gains and RM44.8 million realised foreign exchange gains.

The significant movement in foreign exchange gain / (loss) on borrowings was a result of a significant increase in the value of the RM in relation to the USD in 2010 that resulted in both realised and unrealised gains on our USD-denominated borrowings. USD-denominated borrowings represented approximately 92.9% of our total borrowings as at 31 December 2011. Due to the decrease in value of the RM as compared to the USD as at 31 December 2011, we recognised an unrealised loss with respect to our USD-denominated borrowings in 2011. As at 31 December 2011, we did not have any form of currency hedging arrangements in place with respect to our USD-denominated borrowings.

PBT / (LBT)

As a result of the factors set forth above, we incurred a loss before taxation of RM131.4 million in 2011 as compared to a profit before taxation of RM98.0 million in 2010. On a segment basis, PBT / (LBT) in 2011 was comprised of:

	Year ended 31 December 2011
	RM 000
PBT / (LBT)	
Australia	51,175
North Asia	(16,126)
Middle East	267
Sub-total	**35,316**
India	(36,525)
New Zealand	(37,505)
Europe	(92,720)
Sub-total	**(166,750)**
Total	**(131,434)**

The LBT for the year ended 31 December 2011 was primarily due to losses incurred in the India, New Zealand and Europe segments arising from among others, high fuel costs, low load factors and earthquakes, as the case may be. In addition, the North Asia segment, in particular our Osaka and Tokyo routes (in Japan) and Seoul route (in Korea) were only launched in November 2011, December 2010 and November 2010 respectively, and hence had lower load factors and were generating lower revenues as a result of promotional fares charged to stimulate demand on these new routes which contributed to the losses incurred by the North Asia segment.

Taxation

In 2011 we recognised a net tax allowance of RM34.8 million pursuant to an income tax exemption for certain qualifying expenditures provided by the Malaysian Ministry of Finance. The equivalent net tax allowance was RM48.6 million in 2010.

PAT / (LAT)

As a result of the factors set forth above, we incurred a net loss of RM96.6 million in 2011 as compared to a net profit of RM146.6 million in 2010. The primary reasons for the movement from a PAT position in 2010 compared to a LAT position in 2011 were LBT of RM166.7 million attributable to 3 markets which we have since exited in 2012 (Europe, India and New Zealand), and the change from foreign exchange gains on our USD-denominated borrowings in 2010 as compared to foreign exchange losses incurred on our USD-denominated borrowings in 2011.

12.9 Liquidity and Capital Resources

Our principal sources of liquidity are cash generated from operating activities and borrowings. As at 31 March 2013, we had unused sources of liquidity of RM86.4 million of cash and cash equivalents and the availability of RM70.0 million under our existing lines of credit, of which RM50.0 million of the available lines of credit is due to expire on 30 June 2013.

12.9.1 Working Capital

Our working capital is funded through cash generated from our operating activities and borrowings. As at 31 March 2013, our net working capital, defined as the difference between current assets and current liabilities, was a deficit of RM753.7 million. Based on the above and together with the estimated gross proceeds of RM859.3 million we receive from the Public Issue, we believe that our working capital resources will be sufficient to meet our working capital needs for at least the 12 months following the date of this Prospectus. Our future capital requirements may vary materially from those currently planned and will depend on many factors, among other things, our future profitability, cash flows from operations, and the availability for borrowings under our bank facilities. We may need to raise capital in the future if our cash flows from operations and availability under our bank facilities are not adequate to meet our liquidity requirements.

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12.9.2 Cash Flows

The following table sets forth the condensed consolidated cash flow statements of our Group for the periods indicated.

	Audited			Unaudited
	Year ended 31 December			3 months ended 31 March
	2010	2011	2012	2013
	RM 000			RM 000
Net cash generated from / (used in) operating activities	227,752	(137,109)	(37,196)	40,819
Net cash generated from / (used in) investing activities	101,415	(129,173)	(59,993)	(85,539)
Net cash (used in) / generated from financing activities	(48,977)	33,295	154,251	(42,610)
Currency translation difference	4,648	(1,856)	2,909	(251)
Cash and cash equivalents at the beginning of the year / period	63,985	348,823	113,980	173,951
Cash and cash equivalents at the end of the year / period	348,823	113,980	173,951	86,370

Net Cash Generated From / (Used In) Operating Activities

Net cash generated from operating activities for the 3 months ended 31 March 2013 was RM40.8 million mainly due to:

- PBT of RM34.8 million during this period;
- Adjustments for non-cash items of RM47.6 million, primarily due to depreciation of property, plant and equipment of RM26.8 million, interest expense of RM13.5 million and unrealised foreign exchange losses of RM7.6 million;
- A decrease in working capital of RM27.6 million, comprised primarily of:
  - an increase in receivables, prepayments and other deposits of RM15.0 million, mainly related to deposits paid to lessors for leased aircraft during the period paired with increases in receivables from our charters receivables;
  - a decrease in sales in advance of RM41.6 million, due mainly to lower sales in advance during the period following the end of the holiday season;
  - an increase in trade and other payables of RM40.7 million, due primarily to increased purchases of aircraft related spares and consumables ahead of the expected aircraft deliveries in 2013, as well as increased advertising and promotion activities carried out during the period; and
  - an increase in amounts due from related parties of RM11.8 million, mainly due to an increase in amounts due from AirAsia Berhad; and
- RM13.8 million of interest paid primarily for a short term revolving credit facility drawndown for working capital purposes, as well as for export credit agency facilities in connection with the financing of our aircraft currently held under finance leases.

Net cash used in operating activities for the year ended 31 December 2012 was RM37.2 million mainly due to:

- PBT of RM38.0 million during this period;
- Adjustments for non-cash items of RM123.3 million, primarily due to depreciation of property, plant and equipment of RM107.1 million, interest expense of RM56.4 million and unrealised foreign exchange gains of RM38.8 million;
- A decrease in working capital of RM142.2 million, comprised primarily of:
  - an increase in receivables, prepayments and other deposits of RM15.5 million, mainly related to deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft during the period paired with increases in receivables from our cargo services;
  - a decrease in sales in advance of RM221.9 million, due to the termination of advance ticket sales and passenger fare refunds in connection with the 5 routes we cancelled during the year, as well as a reclassification of total refundable amounts from sales in advance of approximately RM28.2 million, which resulted in an equivalent increase in trade and other payables;
  - an increase in trade and other payables of RM93.6 million, due primarily to favourable credit terms granted to us by a major supplier which previously billed us on a prepayment basis, as well as the abovementioned reclassification from sales in advance; and
  - a decrease in amounts due from related parties of RM1.5 million, mainly due to an increase in amounts due to Asian Contact Centres Sdn Bhd and Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad), offset by an increase in amounts due from AirAsia Berhad; and
- RM56.2 million of interest paid primarily relating to a short term revolving credit facility drawndown for working capital purposes, as well as for export credit agency facilities in connection with the financing of our aircraft currently held under finance leases.

Net cash used in operating activities for the year ended 31 December 2011 was RM137.1 million mainly due to:

- LBT of RM131.4 million in 2011;
- Adjustments for non-cash items of RM173.5 million due primarily to depreciation of property, plant and equipment of RM104.8 million, interest expense of RM52.2 million and net unrealised foreign exchange losses of RM30.3 million;
- A decrease in working capital of RM130.7 million, comprised of:
  - an increase in receivables, prepayments and other deposits of RM118.3 million, mainly related to deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft during the year and increases in receivables from our cargo services;
  - a decrease in sales in advance of RM89.4 million, mainly as a result of a reduction of forward seat sales in 2011, as our aircraft capacity remained unchanged in 2011 with no acquisition of additional aircraft during the year;

- an increase in trade and other payables of RM43.6 million, mainly related to the increase in operating expenses in line with the increase in revenue generated during the year; and
- a decrease in amounts due from related parties of RM33.7 million, mainly due to the settlement of amounts due from AirAsia Berhad; and

- RM51.7 million of interest paid mainly for the export credit agency facilities in connection with the financing of our aircraft currently held under finance leases.

Net cash generated in operating activities for the year ended 31 December 2010 was RM227.8 million, mainly due to:

- PBT of RM98.0 million in 2010;
- Adjustments for non-cash items of RM32.5 million, due primarily to depreciation of property, plant and equipment of RM101.8 million, interest expense of RM55.1 million and net unrealised foreign exchange gains of RM94.9 million;
- An increase in working capital of RM155.6 million during 2010, comprised of:
  - an increase of sales in advance of RM227.9 million, primarily the result of an increase in forward seat sales as a result of additional aircraft acquired during 2010;
  - an increase in receivables, prepayments and other deposits of RM23.3 million, which was mainly related to deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft during the year; and
  - an increase in amounts due from related parties of RM42.9 million, mainly due to the increase in amounts due from AirAsia Berhad during 2010; and
- RM60.7 million of interest paid mainly for the export credit agency facilities in connection with the financing of our aircraft currently held under finance leases.

Net Cash Generated From / (Used In) Investing Activities

Net cash used in investing activities of RM85.5 million for the 3 months ended 31 March 2013 was due primarily to RM21.8 million of payments for aircraft parts and RM63.7 million of deposits on aircraft purchases made during the period.

Net cash used in investing activities of RM60.0 million for the year ended 31 December 2012 was due primarily to the RM37.3 million of payments for aircraft parts made during the year and RM49.7 million of deposits on aircraft purchases during the year.

Net cash used in investing activities of RM129.2 million for the year ended 31 December 2011 was mainly due to RM119.5 million of deposits on aircraft purchases incurred during the year.

Net cash generated from investing activities of RM101.4 million for the year ended 31 December 2010 was primarily the result of RM580.9 million of proceeds from the disposal and RM175.8 million of deposits refunded on aircraft purchases as a result of the sale and leaseback transactions involving two aircraft which were delivered during the year, as offset by RM655.3 million of additions to property, plant and equipment during the year ended 31 December 2010.

Net Cash (Used In) / Generated From Financing Activities

Net cash used in financing activities of RM42.6 million for the 3 months ended 31 March 2013 was primarily due to the drawdown on our credit facilities for payment of aircraft deposit amounting to RM6.1 million, which was offset by repayments of borrowings amounting to RM48.7 million.

Net cash generated from financing activities of RM154.3 million for the year ended 31 December 2012 was primarily due to the drawdown on our credit facilities for general working capital purposes amounting to RM355.3 million, which was offset by repayments of borrowings amounting to RM201.1 million.

Net cash generated from financing activities of RM33.3 million for the year ended 31 December 2011 was primarily due to RM177.3 million of proceeds from new borrowings as offset by the repayment of existing borrowings of RM151.4 million during the year. The total amount of borrowings incurred in 2011 was relatively lower as compared to prior periods given that we did not acquire additional aircraft during the year ended 31 December 2011.

Net cash used in financing activities of RM49.0 million for the year ended 31 December 2010 was primarily due to RM776.7 million used for the repayment of existing borrowings, as offset by RM635.1 million from the proceeds of new borrowings and RM100.0 million of proceeds from the issuance of shares during the year.

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12.9.3 Borrowings

Our Group's total borrowings, all of which are interest-bearing, as at 31 March 2013, are as follows:

Statement of total outstanding borrowings	Interest rate terms	Currency RM 000	Currency USD 000	Total RM 000[1]
Current:				
Secured				
Term loans	Ranging from 2.82% to 5.45% per annum	-	32,662	100,876
Time loan	Cost of funds + 1.50% per annum	32,000	-	32,000
Unsecured				
Revolving credit facility	Cost of funds + 1.50% to 3.25% per annum	199,996	66,538	405,497
Commodity Murabahah Term Financing	Cost of funds + 3.25% per annum	13,813	-	13,813
		245,809	99,200	552,186
Non-Current:				
Secured				
Term loans	Ranging from 2.82% to 5.45% per annum	-	233,250	720,394
Unsecured				
Revolving credit facility	Cost of funds + 3.00% per annum	40,000	15,000	86,328
		40,000	248,250	806,722
		285,809	347,450	1,358,908

Note:

(1) *Translated based on the exchange rate of USD1.00 to RM3.0885 as at 31 March 2013.*

(i) Revolving Credit Facility

Our USD-denominated revolving credit facility, which had an outstanding balance of USD81.5 million (or approximately RM251.8 million) as at 31 March 2013, was used to finance the pre-delivery payments in respect of our firm order of 15 A330-300s to be delivered by June 2014, with an option to acquire an additional 10 A330-300s, when the facility agreement was entered into on 21 August 2007. This facility becomes repayable upon delivery of the relevant aircraft, and carries interest at the bank's USD cost of funds, plus 3.00% per annum.

Our RM-denominated revolving credit facilities, which had an outstanding balance of RM240.0 million (or approximately USD77.7 million) as at 31 March 2013, is used to finance our general and corporate working capital requirements. The tenures of these facilities are up to 5 years. These facilities carry spreads ranging from 1.50% to 3.25% per annum above the bank's cost of funds.

Covenants under our revolving credit facilities include the requirement that Aero Ventures Sdn Bhd and AirAsia Berhad retain their legal and beneficial ownership in the largest equity stake in our Company (on an aggregate equity ownership basis). In the event of any proposed initial public offering of shares in our Company, Aero Ventures Sdn Bhd and AirAsia Berhad must continue to retain legal and beneficial ownership in the largest equity stake in our Company (on an aggregate equity ownership basis). In addition, we are restricted from entering into any agreements or arrangements which have the effect of or which might cause Aero Ventures Sdn Bhd and AirAsia Berhad, collectively, to cease controlling in aggregate, the single largest proportion of our equity.

(ii) Term Loans

Our term loans are used for the purchase of new A330-300s.

The repayment of the term loans is on a quarterly basis over 12 years, with equal principal installments, at fixed interest rates of between 2.82% and 5.45% per annum. Our term loans are secured by the following:

(a) assignment of rights under contract with Airbus over each aircraft;

(b) assignment of insurance of each aircraft; and

(c) assignment of airframe and engine warranties of each aircraft.

Subsequent to 31 March 2013, pursuant to the delivery of our new A330-300 on 22 April 2013 which was acquired under finance lease, we secured an additional term loan amounting to USD80.0 million (or approximately RM242.7 million), details of which are set out in Section 12.9.4(ii) of this Prospectus.

(iii) Time Loan

The time loan amounting to RM32.0 million (or approximately USD10.4 million) is used to finance the security deposits for aircraft operating leases and general working capital requirements.

(iv) Commodity Murabahah Term Financing

This facility is used to re-finance the outstanding balance of up to USD18.8 million (or approximately RM60.0 million) on an existing USD25.0 million (or approximately RM79.8 million) syndicated facility from two lenders (syndicated loan). This facility carries a profit rate of cost of funds plus 3.25% per annum. This financing facility is secured by the following:

(a) Fixed charge over fixed deposit receipts equivalent to 12 months profit payment or RM4.1 million under the facility, whichever is higher; and

(b) First fixed charge over the Islamic RM-denominated revenue account of our Company, to be maintained with the bank ("**Revenue Account**"). The revenue proceeds in the Revenue Account shall be available for withdrawal by our Group, subject to no event of default on the facility.

On 10 April 2013, we accepted a Letter of Offer for a short term revolving credit facility for up to USD43.2 million (or approximately RM131.0 million based on the exchange rate as at 10 April 2013) to partially finance pre-delivery payments ("**PDP**") in respect of our firm order of 5 A330-300s which are scheduled to be delivered between August 2014 and May 2016, at an 80% margin of advance per PDP for each aircraft. As at 21 May 2013, we had drawn USD12.8 million (or approximately RM38.6 million based on the exchange rate as at 21 May 2013) of this facility. This facility carries interest at the bank's USD cost of funds, plus 3.25% per annum. The tenure of this facility expires in June 2016 or upon delivery of the fifth A330-300 covered under this facility, whichever is the earliest.

Covenants under this facility include the requirement that Aero Ventures Sdn Bhd and/or AirAsia Berhad collectively maintain the largest equity stake in our Company. In addition, we are restricted (save and except with the lender's prior written consent) from declaring or paying dividends, incurring any additional indebtedness and providing any financial guarantees (other than those incurred for aircraft and engine financings) as well as intercompany advances.

Our Group has not defaulted on payments of interest or principal sums on any of our borrowings throughout the year ended 31 December 2012 and up to the LPD.

For the year ended 31 December 2012, our debt service coverage ratio was 1.01 times, which did not comply with the required debt service coverage ratio of 1.35 times under our RM48.0 million time loan (RM32.0 million outstanding as at 31 March 2013). The lender under this time loan has provided us with a waiver from complying with this debt service coverage ratio until 31 July 2013, and we are currently in compliance with the terms of this covenant. In addition, we have obtained a waiver until 31 July 2013 from having to comply with the required current ratio covenant of 1.00 times under our RM100.0 million revolving credit facility, which was not met in the year ended 31 December 2012. The lender has irrevocably waived its right to exercise the remedies it may have as a result of this non-compliance until 31 July 2013. We intend to use proceeds from the Public Issue to repay all outstanding loan amounts under both the RM48.0 million time loan (RM32.0 million outstanding as at 31 March 2013) and the RM100.0 million revolving credit facility.

Notwithstanding the non-compliance with the covenants set forth above, our Group is not currently in breach of any terms and conditions or covenants associated with our credit arrangements or borrowings which would have a material adverse effect on our Group's financial position or results of operations.

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12.9.4 Aircraft Finance Leases

(i) Export Credit Agency Guaranteed Financing

We have obtained limited recourse borrowings for the purpose of financing our purchase of 5 aircraft from Airbus that are currently held under finance leases. Although the legal ownership over these 5 aircraft remains vested with a third party special purpose vehicle that acts as the borrower of loan proceeds used to acquire these aircraft, the beneficial ownership and operational control of these aircraft vests with our Group. Accordingly, the borrowings incurred in connection with the acquisition of these aircraft are consolidated on our balance sheet. In order to finance the acquisition, each borrower entered into an export credit agency guaranteed loan agreement (collectively, the "**ECA Agreements**") with the respective lenders who provided the required financing to acquire the 5 aircraft currently subject to finance leases. The total borrowings outstanding in connection with the acquisition of the 5 aircraft held under finance leases equals approximately USD265.9 million (or approximately RM821.2 million) as at 31 March 2013, with the maturity dates of such borrowings ranging from July 2020 to December 2021.

The principal terms of the ECA Agreements entered into by the borrowers in respect of each of the aircraft are as follows:

(a) Limited recourse

The lenders have a contractual right to be paid sums due and owing to them by our Company under the ECA Agreements in accordance with the terms thereof, which sums shall not be limited to the value of the collateral provided thereunder. However, the respective lenders' claims against the borrower are limited to the amount of proceeds that may be realised from an enforcement of the security provided over the relevant aircraft.

(b) Security

In addition to the mortgage created by each of the borrowers for the benefit of the respective lenders, the borrowers have assigned all of their respective interests, rights and benefits to any amounts that we are obligated to pay the borrowers under the finance leases for the benefit of the lenders.

(c) Covenants

Our covenants under the finance leases that have been assigned for the benefit of the lenders include:

(i) Not declaring or paying dividends or making any distribution of assets to shareholders whether in cash, assets or obligations, without prior written consent; provided that we may pay and/or declare dividends following an initial public offering for so long as our shares are listed and tradable on an internationally recognised stock exchange;

(ii) not doing or taking any action or knowingly omitting to take any action which has or may have the effect of prejudicing or impairing the security interests in respect of the relevant aircraft; and

(iii) ensuring that our total debt to equity ratio does not exceed the ratio of 3.2:1 during 2012 and thereafter the ratio of 3.0:1.

(d) Events of default

The events of default under each of the ECA Agreements include, but are not limited to:

(i) Ownership and control: if AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and/or Dato' Kamarudin Bin Meranun (in any combination or any one of them) cease or are likely to cease (A) to own (directly or indirectly) collectively at least 35.0% of the issued share capital of our Company; or (B) to control (directly or indirectly) our Company; or

(ii) Cross-default: if there is an event of default occurring under the other aircraft financings.

(e) Mandatory prepayment

Each of the ECA Agreements contains a provision whereby each borrower is required to prepay all outstanding amounts under the ECA Agreement should the AirAsia Services Agreement with AirAsia Berhad be terminated.

As at the LPD, we have not defaulted or failed to comply with any covenants in the ECA Agreements.

(ii) Additional Finance Lease

We have recently entered into an additional finance lease with financing from offshore banks (which comprises senior lenders and mezzanine lenders) to partially finance our purchase of a new A330-300, which was delivered on 22 April 2013. As is the case with the ECA Agreements, although the legal ownership of the aircraft remains vested with a third party special purpose vehicle that acts as the borrower of the loan proceeds used to acquire the aircraft, the beneficial ownership and operational control of the aircraft vests with our Group. Accordingly, the borrowings incurred in connection with the acquisition of this additional A330-300 is consolidated on our balance sheet and the total outstanding borrowings amounts to USD80.0 million (or approximately RM242.7 million) as at 18 April 2013, with the maturity dates ranging from April 2016 (for mezzanine loans) to April 2023 (for senior loans).

The principal terms of this additional finance lease are as follows:

(a) Limited recourse

Both mezzanine and senior lenders have a contractual right to be paid sums due and owing to them by our Company under the loan agreement in accordance with the terms thereof, which sums are not limited to the value of the collateral provided thereunder. However, both lenders' claims against the borrower are limited to, amongst others, the amount of proceeds that may be realised from the enforcement of the security created thereunder.

(b) Security

In addition to the mortgage, the borrower has also assigned, amongst others, all of its rights, title, interest and benefit to any amounts that we are obligated to pay the borrower under the finance lease, for the benefit of the lenders.

(c) Events of default

Events of default under this finance lease include amongst others, a cross-default provision that is triggered if any financial indebtedness of our Company is not paid when due nor within any originally applicable grace period or where any financial indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever which is continuing), provided that the aggregate amount of financial indebtedness is more than USD10.0 million and that the event triggering the cross-default provision has a material adverse effect on our ability to perform our obligations under the aircraft financing documents to which we are a party.

(d) Mandatory Prepayment

The borrower is required to prepay if, amongst others, a total loss of the aircraft or the airframe occurs on or after the utilisation date.

We have also, on 16 April 2013, procured the issuance of a standby letter of credit ("**SBLC**") for up to USD6.0 million (or approximately RM18.2 million based on the exchange rate as at 16 April 2013) to provide maintenance reserves deposit as required under this additional finance lease, for our purchase of the new A330-300 that was delivered in April 2013. This SBLC is secured by a first fixed charge over credit balances of our account in London maintained with the SBLC provider, where an amount equal to 50% of the SBLC amount has been deposited.

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12.9.5 Aircraft Operating Leases

We have entered into the following operating leases:

Aircraft Serial Number	Aircraft Type	Lease Term
MSN 273	A340-300	6 years, expiring 2 April 2015
MSN 278	A340-300	6 years and 3 months, expiring 26 April 2015
MSN 054	A330-300	32 months, expiring 10 April 2016
MSN 952	A330-300	12 years, expiring 14 July 2022
MSN 974	A330-300	12 years, expiring 31 July 2022
MSN 1165	A330-300	12 years, expiring 21 October 2022
MSN 662*	A330-300	10 years, expiring 2 May 2023

* *Delivered on 3 May 2013*

We do not have an option to acquire the aircraft upon expiry of the operating leases. Our rent payments under these operating leases are on a fixed basis.

As at the LPD, we have not defaulted or failed to comply with any covenants in our aircraft operating lease agreements.

12.9.6 Capital Expenditure

The table below presents our capital expenditure for the periods indicated.

	Year ended 31 December			3 months ended 31 March
	2010	2011	2012	2013
		RM mil		RM mil
Aircraft engines, airframe and service potential	620.3	2.4	1.5	-
Aircraft spares, fixtures and fittings	34.0	14.4	9.6	0.6
Aircraft and other assets not in operation yet[(1)]	-	-	25.8	21.2
Others[(2)]	1.0	1.1	0.4	-

Notes:

(1) *Includes aircraft and other assets which were not fully paid during the financial year / period and were not in operation.*

(2) *Others include motor vehicles, office equipment, furniture and fittings.*

Our capital expenditures in 2010 consisted primarily of the acquisition of aircraft by finance lease, consisting of 2 additional aircraft in 2010. We expect to continue to incur substantial capital expenditure, primarily from the proposed use of finance leases to expand the size of our fleet. For instance, during the period subsequent to 31 March 2013 and up to the LPD, we accepted delivery of an additional A330-300, acquired by way of finance lease.

Please refer to Section 7.5 of this Prospectus for further information on our fleet. No assurance can be given that our acquisition of additional aircraft will be completed in the expected time frame or within the estimated budget. Please refer to Section 5.2.3 for a description of the risks associated with the implementation of our growth strategy.

12.9.7 Capital and Contractual Commitments

As at 31 March 2013, we had the following commitments:

	As at 31 March 2013	Within one year	After one year but within three years	After three years but within five years	After five years
			RM 000		
Aircraft[(1)]	21,424,307	2,855,009	7,137,524	2,855,009	8,576,765
Aircraft operating lease expenses[(2)]	2,442,948	222,891	550,328	476,400	1,193,329
Total	23,867,255	3,077,900	7,687,852	3,331,409	9,770,094

Notes:

(1) *Aircraft commitments represent approved and contracted commitments for the purchase of 18 A330-300s and 10 A350-900s at a total list price of approximately USD6.9 billion (or approximately RM21.4 billion), before negotiated discounts (which can only be determined closer to the scheduled aircraft delivery dates due to the numerous variables used in its determination). The aircraft are expected to be delivered between April 2013 to May 2017 for the A330-300s, and 2018 onwards for the A350-900s.*

(2) *Commitments on aircraft operating lease expenses comprise primarily of the operating leases for 6 A330-300s yet to be delivered as at the LPD and operating leases for our existing 4 A330-300s and 2 A340-300s, with total lease payment commitments amounting to approximately USD0.8 billion (or approximately RM2.4 billion).*

In addition, as part of our expansion plan to establish a new hub in Thailand via THAI AAX Co., Ltd. as set out in Section 6.3.2(v)(c) of this Prospectus, our estimated initial capital commitment is approximately USD3.3 million (or approximately RM10.0 million). However, depending on the level of operations, further capital contributions may be required in the near future.

Except as disclosed above, as at the LPD, we were not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position.

Subsequent to 31 March 2013, we accepted delivery of a new A330-300, which reduced our aircraft commitments by approximately USD204.0 million (or approximately RM630.4 million), based on the amounts stated as at 31 March 2013. There were no other material changes, as at the LPD, to our commitments as compared to the amount shown above as at 31 March 2013.

We expect to meet our material commitments through our cash and cash equivalents on hand, as well as cash generated from future operations and funding from other financing activities such as export credit agency facilities, term loans and debt securities.

On 16 May 2013, the International Accounting Standards Board ("**IASB**") and US Financial Accounting Standards Board ("**FASB**") issued a revised exposure draft on accounting for leases. Pursuant to the revised exposure draft, an entity is proposed to, amongst others, recognise assets and liabilities for all leases of more than 12 months on its balance sheet. This is as opposed to existing accounting models for leases whereby a lessee is not required to recognise lease assets or liabilities for operating leases, which have been criticised for failing to meet the needs of users of financial statements because they do not always provide a faithful representation of leasing transactions.

In an attempt to address this, the abovementioned revised exposure draft proposes to eliminate off-balance sheet accounting for leases, with an asset (representing the right to use the leased item for the lease term) and liability (representing the obligation to pay rentals) being recognised on the balance sheet and are initially measured at the present value of lease payments. The right-of-use asset also includes any costs incurred that are directly related to entering into the lease. The revised exposure draft further proposes that the liability be recognised as a lease obligation. This lease obligation may or may not be regarded as a form of borrowings, which may impact the computation of gearing ratios, depending on how one defines such computation.

In respect of the income statement, the revised exposure draft proposes a dual approach to the recognition, measurement and presentation of expenses and cash flows arising from a lease. The principle for determining which approach to apply, is based on the amount of consumption of the underlying asset. This reflects that there is a difference between a lease for which the lessee pays for the part of the underlying asset that it consumes during the lease term, and a lease for which the lessee merely pays for use.

Most leases of equipment or vehicles would be classified as Type A leases, where a lessee typically consumes a part of any equipment or vehicle that it leases (including aircraft). In such instances, a lessee would present amortisation of the right-of-use asset in the same line item as other similar expenses (for example, depreciation of property, plant and equipment) and interest on the lease liability in the same line item as interest on other, similar financial liabilities. The proposal for Type A leases, as set out in the revised exposure draft, may result in higher expenses being recognised towards the initial stages of the lease term and correspondingly lower expenses being recognised towards the end of the lease term, unless the lease term is insignificant compared to the underlying asset's economic life or the present value of fixed lease payments is insignificant relative to the fair value of the underlying asset.

On the other hand, most leases of property would be classified as Type B leases, where a lessee merely pays for use of the asset. In such instances, those payments for use are presented as one amount in a lessee's income statement and recognised on a straight light basis.

The deadline for comments on the revised exposure draft is 13 September 2013. Currently, there is no indication of the new standard's effective date.

All criteria of applying the revised standard on leases are currently only at a proposal stage, which is theoretical and untested. Furthermore, as mentioned above, the revised exposure draft is currently in the comments period. Due to the current state of flux of the revised exposure draft and the lack of formal guidance published on the criteria in applying the proposed new standard, we are unable to reliably evaluate the impact of the accounting treatment to our operating leases under the new framework.

12.10 Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements which are reasonably likely to have a material effect on our results of operations or our financial condition.

12.11 Contingent Liabilities

As at the LPD, our Directors were not aware of any contingent liabilities which upon becoming enforceable, may have a material impact on our Group's results of operations or financial conditions.

12.12 Material Divestitures

Other than as described below, there have not been any material divestitures undertaken by our Group for the years ended 31 December 2010, 2011 and 2012 as well as the 3 months ended 31 March 2013.

In 2010, we disposed of 2 aircraft through sale and leaseback transactions, with the gain recognised from such disposal of RM27.0 million. These aircraft were acquired in 2008 using term loan facilities and the sale proceeds from the sale and leaseback transactions were used to settle these outstanding term loans and penalties imposed on early settlement of these loans.

As at the LPD, we did not have any uncompleted material divestitures.

12.13 Key Financial Ratios

The following table sets forth certain key financial ratios of our Group based on the consolidated financial statements of our Company for the years / periods indicated.

	Year ended 31 December			3 months ended 31 March
	2010	**2011**	**2012**	**2013**
Trade payables turnover period (days)	51.6	45.8	78.9	137.8
Current ratio (times)	0.7	0.3	0.3	0.2
Gearing ratio (times)	1.9	2.3	2.4	2.2

We do not have significant trade receivables and inventory turnover periods, as our sales are primarily on cash terms, and we do not maintain significant inventories of beverages, consumables and in-flight merchandise.

12.13.1 Trade Payables Turnover Period

	Year ended 31 December			3 months ended 31 March
	2010	**2011**	**2012**	**2013**
		RM 000		**RM 000**
Average trade payables[1]	55,196	77,062	135,921	174,605
Total purchases	390,371	613,875	629,083	115,606
Trade payables turnover period (days)[2]	51.6	45.8	78.9	137.8

Notes:

(1) Average opening and closing trade payables.

(2) Average trade payables multiplied by 365 days in the relevant period over total purchases (annualised for the 3 months ended 31 March 2013).

Our trade payables turnover period decreased from 51.6 days for the year ended 31 December 2010 to 45.8 days for the year ended 31 December 2011 due to the more expedient settlement of outstanding trade payables. Our trade payable turnover period increased from 45.8 days for the year ended 31 December 2011 to 78.9 days for the year ended 31 December 2012 due primarily to favourable credit terms being granted to us by a major supplier, which previously billed us on a prepayment basis. Our trade payables turnover period increased from 78.9 days for the year ended 31 December 2012 to 137.8 days (on an annualised basis) for the 3 months ended 31 March 2013 due primarily to timing differences in the settlement of payables with several trade creditors which were outstanding and past due as at 31 March 2013, which were partially settled in April 2013 subsequently.

12.13.2 Current Ratio

	As at 31 December			As at 31 March
	2010	2011	2012	2013
		RM 000		RM 000
Current Assets				
Inventories	524	891	806	640
Receivables and prepayments	99,174	119,751	130,786	135,408
Amount due from related parties	45,032	10,814	15,738	24,507
Deposits, cash and bank balances	356,236	113,980	173,951	86,370
Tax recoverable	-	59	1,711	2,006
	500,966	245,495	322,992	248,931
Current Liabilities				
Trade and other payables	111,131	158,633	254,004	294,004
Sales in advance	506,483	417,087	195,188	153,547
Borrowings	125,535	253,551	521,045	552,186
Amounts due to related parties	-	-	5,929	2,936
Current tax liabilities	570	280	-	-
	743,719	829,551	976,166	1,002,673
Current ratio (times)	0.7	0.3	0.3	0.2

Our current ratio decreased from 0.7 times as at 31 December 2010 to 0.3 times as at 31 December 2011, due primarily to a decrease in deposits, cash and bank balances as at 31 December 2011 compared to 31 December 2010, with a decrease in sales in advance as at 31 December 2011 as compared to 31 December 2010. Our current ratio maintained at 0.3 times from 31 December 2011 to 31 December 2012 primarily as a result of an increase in deposits, cash and bank balances, a decrease in sales in advance and an increase in trade and other payables and borrowings. Our current ratio remained relatively constant at 0.2 times as at 31 March 2013 as compared to 0.3 times as at 31 December 2012.

12.13.3 Gearing Ratio

	As at 31 December			As at 31 March
	2010	2011	2012	2013
		RM 000		RM 000
Total borrowings				
- Current	125,535	253,551	521,045	552,186
- Non current	1,097,717	1,024,996	871,211	806,722
	1,223,252	1,278,547	1,392,256	1,358,908
Shareholders' equity	643,579	546,881	580,730	630,957
Gearing ratio (times)	1.9	2.3	2.4	2.2

Our gearing ratio is computed based on total interest bearing debt over total shareholders' equity of our Group.

12.13.4 Aging Analysis

The ageing of our trade payables of approximately RM179.0 million as at 31 March 2013 is as follows:

	Within credit period of 30 days	Not more than 30 days overdue	Between 31 to 90 days overdue
Trade payables (RM 'mil)	80.0	44.6	54.4
% of total trade payables	44.7	24.9	30.4

A total of RM61.9 million out of the abovestated overdue amounts was subsequently settled during the first week of April 2013.

12.14 Financial Risk Management Objectives and Policies

12.14.1 Fuel Price Risk

We are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel, and seek, where appropriate, to hedge the fuel requirements using fuel swaps in order to address the risk of rising fuel prices. Fuel hedging is negotiated together with the AirAsia Group to obtain more competitive rates from the financial institutions, further details of which are set out in Section 7.8.1 of this Prospectus. We have agreed with the AirAsia Group that any gains or losses on such fuel hedging contracts entered into by AirAsia Berhad are to be allocated to us based on the amount of fuel consumed by us when the hedging contracts mature, divided by the total budgeted amount of fuel hedged by the AirAsia Group. We do not enter into any fuel hedging contracts directly, and any gain or loss arising from fuel hedging is recognised when risk transfers to our Group, namely upon allocation by AirAsia Berhad to us when we consume the fuel. We also pass a portion of our fuel price increases to our passengers in the form of fuel surcharges. However, our fuel surcharges do not fully compensate us for fuel price increases. As at 31 March 2013, we did not have any outstanding fuel swaps.

12.14.2 Foreign Currency Exchange Risk

Apart from RM, our business is transacted in various foreign currencies. Therefore, we are exposed to currency exchange risk with respect to currencies in those countries in which we operate. 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 other AirAsia X Group arrangements and settlements.

In addition to foreign currency exchange exposure in ordinary course transactions, we realise foreign exchange gains and losses as the result of increases and decreases in the value of the RM in relation to the USD as related to our USD-denominated borrowings under our bank facilities. USD-denominated borrowings represented approximately 79.0% of our total borrowings as of 31 March 2013.

Save as disclosed under Section 12.14.3 below, we do not have any form of currency hedging arrangements in place with respect to our USD-denominated borrowings.

12.14.3 Interest Rate Risk

In view of the substantial borrowings taken to finance the acquisition of aircraft, our income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the floating rate borrowings and deposits, and is managed by maintaining a prudent mix of fixed and floating rate debt. Surplus funds are placed with reputable financial institution at the most favourable interest rate. As at 31 March 2013, approximately 39.6% of our total borrowings, equal to approximately RM537.6 million of our total borrowings of RM1.4 billion, are based on floating interest rates.

In connection with the USD80.0 million financing for the new A330-300 delivered in April 2013, further details of which are set out in Section 12.9.4(ii) of this Prospectus, on 17 April 2013 we entered into a USD : RM cross currency interest rate swap with a financial institution in respect of the principal repayment of the USD72.5 million (or approximately RM219.9 million) senior tranche of this loan ("**Swap Facility**").

Under the Swap Facility, we converted the loan whereby:

(i) The USD principal repayment of USD72.5 million throughout the entire tenor of 10 years will be paid in RM at an exchange rate of USD1.00 : RM3.0260; and

(ii) The USD interest of 3-month London Interbank Offered Rate (LIBOR) plus 3.75% will be paid at a RM fixed interest rate of 7.03% per annum for the entire tenor of the loan.

12.14.4 Credit Risk

Our exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances and receivables. As we do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amount of these assets on our balance sheet.

Our credit risk with respect to our deposits and bank balance, or the risk of counterparties defaulting, is addressed by the application of credit approvals, limits and monitoring procedures. In addition, because our deposits and bank balances are placed with major financial institutions, we believe that the possibility of non-performance by these financial institutions is remote.

Our credit risk relating to receivables is addressed by regular monitoring of the applicable counterparties.

12.14.5 Liquidity and Cash Flow Risk

We believe we maintain sufficient cash and cash equivalents and have available funding through adequate amounts of availability under our bank facilities for our working capital requirements.

12.14.6 Capital Risk Management

Consistent with others in the industry, we monitor capital utilisation on the basis of the gearing ratio, which is calculated as total borrowings divided by total shareholders' funds.

12.15 Inflation

We believe that inflation in Malaysia has not had a significant impact on our results of operations. If Malaysia were to experience significant inflation, we may not be able to fully offset the resulting higher costs through fare increases, which could have an adverse impact on our business and results of operations.

12.16 Seasonality

As a significant portion of our passengers travel for leisure, we generally record higher revenue during holiday periods, and in particular from November to January. Accordingly, our revenues and cash flows are generally higher from November to January, and generally lower from February to May due to decreased travel during these months.

12.17 Government / Economic / Fiscal / Monetary Policies

For a description of the main legislation, regulations and orders in Malaysia relevant to civil aviation, please see Section 7.9.5 of this Prospectus. Risks relating to government, economic, fiscal and monetary policies which may materially affect our Group's operations are set out in Section 5 of this Prospectus.

12.18 Prospects and Trends

The results of our Group's operations for the year ending 31 December 2013 have so far been and/or are expected to be mainly influenced by the key factors affecting our business as described in Section 12.4 of this Prospectus. Except as disclosed in Section 12.4, the "Industry Overview" as set out in Section 8 and "Risk Factors" as set out in Section 5 of this Prospectus, and to the best of our Directors' knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on the financial condition and results of operations of our Group, However, the factors and trends affecting our Group's financial position and operations as set out above and in "Risk Factors" as set out in Section 5 of this Prospectus are not exhaustive.

As an air service provider, we do not have any order book.

12.19 Capitalisation and Indebtedness

The following information should be read in conjunction with the Reporting Accountants' letter and the pro forma consolidated balance sheet as at 31 December 2012 and the notes thereon set forth in Section 12.22 of this Prospectus and the Accountants' Report set forth in Section 13 of this Prospectus.

The table below sets out the deposits, cash and bank balances as well as capitalisation and indebtedness of our Group based on the audited consolidated balance sheet of our Group as at 31 December 2012 and based on the pro forma consolidated balance sheet as at 31 December 2012 set out in Section 12.21 of this Prospectus, on the assumption that our IPO and utilisation of proceeds therefrom had occurred on 31 December 2012. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 December 2012 and is provided for information purposes only. The total indebtedness of our Group is not guaranteed by any third party.

	Audited	Pro Forma
	As at 31 December 2012	After IPO
	RM 000	
Cash and cash equivalents[1]	173,951	443,684[4]
Indebtedness		
Short term debt		
Secured		
Term loans	100,027	100,027
Time loan	48,000	16,000
Unsecured		
Revolving credit	351,705	151,709
Commodity Murabahah Term Financing	21,313	7,500
	521,045	275,236
Long term debt		
Secured		
Term loans	739,336	739,336
Unsecured		
Revolving credit	131,875	91,875
	871,211	831,211
Total indebtedness[2]	1,392,256	1,106,447
Total shareholders' equity / capitalisation	580,730	1,410,556
Total capitalisation and indebtedness	1,972,986	2,517,003
Gearing ratio (times)[3]	2.4	0.8

Notes:

(1) *Cash and cash equivalents comprise deposits, cash and bank balances.*

(2) *Total indebtedness includes short term debts and long term debts.*

(3) *Computed based on total debts divided by total shareholders' equity. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in our Group's consolidated balance sheet).*

(4) *Comprised adjustments for gross proceeds from Public Issue of RM859.3 million less utilisation for capital expenditure of RM280.0 million, repayment of borrowings of RM285.8 million and estimated listing expenses of RM38.0 million and proceeds from the exercise of the Proposed Initial Grant pursuant to the ESOS of RM14.3 million.*

12.20 Dividend Policy

Presently, our Company does not have a formal dividend policy. We have not paid any dividends to our shareholders since the incorporation of our Company and we are unlikely to pay any dividends in the immediate future due to our expected growth and expansion plans. Notwithstanding our current financial position, going forward, our Board intends to adopt a progressive dividend policy once we commence dividend payments, whereby we seek to increase dividend payouts in line with increases in our profitability. This is however, subject to the following factors and in the absence of any circumstances which may affect or restrict our ability to pay dividends.

The declaration of interim dividends and the recommendation of any final dividends will be subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Our ability to pay future dividends to our shareholders is subject to various factors including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plans. The payment of dividends may also be limited by restrictive covenants contained in our current and future financing agreements.

Please refer to Section 5.3.4 of this Prospectus for further details on the factors which may affect or restrict our ability to pay dividends.

12.21 Pro Forma Consolidated Balance Sheet

Presented below is the consolidated balance sheet of our Group as at 31 December 2012 based on the following:

(i) The audited consolidated balance sheet of our Group as at 31 December 2012 as presented in the Accountant's Reports in Section 13 of this Prospectus; and

(ii) On a pro forma basis giving effect to the completion of our IPO and related transactions, including the conversion of all outstanding RCPS into Shares, the subdivision of every 3 ordinary shares of RM1.00 each into 20 Shares, the issue and allotment of 9,850,000 Shares assuming all the ESOS Options pursuant to the Proposed Initial Grant are exercised and the completion of the Public Issue with the receipt of the estimated gross proceeds of RM859.3 million based on an assumed Institutional Price and Final Retail Price of RM1.45 per Share and the utilisation of such proceeds as described under Section 4.10 of this Prospectus, as if all such transactions had occurred as of 31 December 2012.

The pro forma consolidated balance sheet has been prepared on the basis set out in the notes in Section 12.22 of this Prospectus, using financial statements prepared in accordance with MFRS and in a manner consistent with both the format of the financial statements and the accounting policies of our Group.

The pro forma consolidated balance sheet should be read in conjunction with the Reporting Accountants' letter as set forth in Section 12.22 of this Prospectus.

	Audited	Pro Forma
	As at 31 December 2012	After IPO
	RM 000	RM 000
Non-Current Assets		
Property, plant and equipment	1,325,822	1,605,822
Deferred tax assets	234,840	234,840
Deposits on aircraft purchase	418,395	418,395
Other deposits	126,058	126,058
	2,105,115	2,385,115
Current Assets		
Inventories	806	806
Receivables and prepayments	130,786	130,786
Amounts due from related parties	15,738	15,738
Deposits, cash and bank balances	173,951	443,684
Tax recoverable	1,711	1,711
	322,992	592,725
Less: Current Liabilities		
Trade and other payables	254,004	254,004
Amounts due to related parties	5,929	5,929
Sales in advance	195,188	200,904
Borrowings	521,045	275,236
	976,166	736,073
Net current (liabilities) / assets	(653,174)	(143,348)
Less: Non-Current Liability		
Borrowings	871,211	831,211
NET ASSETS	580,730	1,410,556
Capital and Reserves attributable to the equity holders of the Company		
Share capital	266,667	357,034
Share premium	215,832	975,548
Currency translation reserve	(66)	(66)
Retained earnings	98,297	78,040
SHAREHOLDERS' EQUITY	580,730	1,410,556
Number of ordinary shares of RM1.00 each ('000)	224,000	N/A
Number of RCPS ('000)	42,667	N/A
Total share capital ('000)	266,667	N/A
Number of ordinary shares of RM0.15 each ('000)	1,493,333[(1)]	2,380,220
Net tangible assets attributable to equity holders of the Company[(2)] (RM 000)	580,730	1,410,556
Net tangible assets attributable to equity holders of the Company per ordinary share[(3)] (sen)	38.9	59.3
Net assets attributable to equity holders of the Company[(4)] (RM 000)	580,730	1,410,556
Net assets attributable to equity holders of the Company per ordinary share[(5)] (sen)	38.9	59.3

12. FINANCIAL INFORMATION (cont'd)

Notes:

N/A *Not applicable*

(1) *Number of ordinary shares illustrated is assumed to be retrospectively adjusted after completion of the subdivision of 224,000,001 shares on the basis of every 3 ordinary shares of RM1.00 each subdivided into 20 ordinary shares of RM0.15 each.*

(2) *Net tangible assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company less intangible assets (if any).*

(3) *Net tangible assets attributable to equity holders of the Company per ordinary share = Net tangible assets attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each.*

(4) *Net assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company.*

(5) *Net assets attributable to equity holders of the Company per ordinary share = Equity attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each.*

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12.22 Reporting Accountants' Letter on the Pro Forma Consolidated Balance Sheet

pwc

The Board of Directors
AirAsia X Berhad
Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor

24 May 2013

PwC/SN/MC/CTJ/nm/0098C

Dear Sirs,

AirAsia X Berhad ("the Company" or "AirAsia X")
Report on the Compilation of Pro Forma Consolidated Balance Sheet

1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Balance Sheet of AirAsia X and its subsidiaries ("AirAsia X Group" or "the Group") as at 31 December 2012, together with the notes thereon. The Pro Forma Consolidated Balance Sheet as set out in Appendix A (which we have stamped for the purpose of identification), has been compiled by the Directors of the Company for inclusion in the Prospectus to be issued in connection with the proposed listing of AirAsia X on the Main Market of Bursa Malaysia Securities Berhad ("the Proposal").

2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Balance Sheet are described in Note 2.1 of Appendix A, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ('Prospectus Guidelines').

3 The Pro Forma Consolidated Balance Sheet has been compiled by the Directors, for illustrative purposes only, to show the effects of the Proposal on the Consolidated Balance Sheet presented had the Proposal been effected at the date stated. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's audited consolidated balance sheet as at 31 December 2012, on which an audit report has been published.

The Directors' Responsibility for the Pro Forma Consolidated Balance Sheet

4 The Directors are responsible for compiling the Pro Forma Consolidated Balance Sheet on the basis set out in Note 2.1 of Appendix A, and in accordance with the requirements of the Prospectus Guidelines.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

The Board of Directors
AirAsia X Berhad
PwC/SN/MC/CTJ/nm/0098C
24 May 2013

Our Responsibilities

5 Our responsibility is to express an opinion about whether the Pro Forma Consolidated Balance Sheet has been compiled, in all material respects, by the Directors on the basis set out in Note 2.1 of Appendix A.

6 We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Balance Sheet on the basis set out in Note 2.1 of Appendix A.

7 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Balance Sheet, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Balance Sheet. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

8 The purpose of the Pro Forma Consolidated Balance Sheet included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2012 would have been as presented.

9 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Balance Sheet has been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Balance Sheet provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Balance Sheet reflects the proper application of those adjustments to the unadjusted financial information.

10 The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Balance Sheet has been compiled, and other relevant engagement circumstances. The engagement also involved evaluating the overall presentation of the Pro Form Consolidated Balance Sheet.

11 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

pwc

The Board of Directors
AirAsia X Berhad
PwC/SN/MC/CTJ/nm/0098C
24 May 2013

Our Opinion

12 In our opinion, the Pro Forma Consolidated Balance Sheet has been compiled, in all material respects, on the basis set out in Note 2.1 of Appendix A.

Other Matter

13 This report is issued for the sole purpose of inclusion in the Prospectus in connection with the Proposal and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Proposal.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur

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Page 1

AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON

1 INTRODUCTION

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 together with the Notes thereon (collectively known as "the Pro Forma Consolidated Balance Sheet") of AirAsia X Berhad ("AirAsia X" or "the Company") and its subsidiaries ("AirAsia X Group" or "the Group"), for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus in connection with the listing of AirAsia X on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (referred to hereafter as "the Proposal").

The Pro Forma Consolidated Balance Sheet of AirAsia X Group has been prepared for illustrative purposes only to show the effects of the Proposal as set out in Note 1.1, on the audited consolidated balance sheet of the Group as at 31 December 2012, had the transaction been effected on that date.

The Pro Forma Consolidated Balance Sheet should be read in conjunction with the notes accompanying thereto.

1.1 The Proposal

AirAsia X will undertake the following transactions in conjunction with, and as an integral part of the listing and quotation of the entire enlarged issued and paid-up capital of AirAsia X on the Main Market of Bursa Securities ("the Listing"), on the assumption that these transactions were completed on 31 December 2012. The transactions set out in paragraphs (a) to (g) below are viewed collectively as one exercise to be undertaken to facilitate the listing proposal of AirAsia X.

(a) Redeemable Convertible Preference Shares ("RCPS") Conversion

This is in relation to the conversion of the 42,666,667 RCPS held by AirAsia Berhad ("AirAsia") into ordinary shares under the terms of the RCPS due to the Listing, which will entail the new issuance of 42,666,667 ordinary shares of RM1.00 each in AirAsia X to AirAsia.

The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the share capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all RCPS into ordinary shares of RM1.00 each in the share capital of the Company upon the receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

On 10 May 2013, AirAsia converted all of its outstanding 42,666,667 RCPS of RM1.00 each in the Company, on a one-to-one basis, into 42,666,667 new ordinary shares of RM1.00 each in the Company, without consideration.

(b) Share Subdivision

AirAsia X will undertake a subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company ("Shares").

On 13 May 2013, AirAsia X completed the subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

1.1 The Proposal (continued)

(c) Increase in Authorised Share Capital

AirAsia X will undertake to increase its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares.

On 13 May 2013, AirAsia X increased its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares.

(d) Employees Share Option Scheme ("ESOS")

In conjunction with the Listing, AirAsia X has implemented an Employees Share Option Scheme ("ESOS") which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of AirAsia X at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for another five (5) years, subject to a maximum duration of ten (10) years.

Prior to the Listing, the Board of Directors of AirAsia X proposes to grant up to 9,850,000 ESOS Options to eligible employees of AirAsia X ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws.

For the purpose of illustration only, the following assumptions have been made:

(i) The ESOS Options under the Initial Grant will be in respect of 9,850,000 new ordinary shares of RM0.15 each ("Shares") in the Company, which are assumed to be made available and vested on 31 December 2012, upon which new Shares are assumed to be issued and allotted on the same date;

(ii) The exercise price of the ESOS Options is RM1.45 per option;

(iii) The fair value of the ESOS Options calculated on the grant date is assumed to be 47.9 sen per option, determined based on Black-Scholes Option Pricing model. The total fair value of the ESOS Options is RM4,714,000;

(iv) The total number of new ordinary shares under the Initial Grant which is assumed to be 9,850,000 Shares, will vary depending on the final IPO Price upon Listing; and

(v) The impact of the remaining ESOS Options that will be made available under the ESOS, if any, is not illustrated as it will only be determined by the Board of Directors and granted subsequent to the IPO.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

1.1 The Proposal (continued)

(e) Initial Public Offering ("IPO")

(i) Public Issue

Public issue of 592,592,600 new ordinary shares of RM0.15 each in AirAsia X ("Issue Shares"), representing approximately 25.0% of the enlarged issued and paid-up share capital of AirAsia X, at the initial issue price of RM1.45 per ordinary share ("IPO Price") for total gross proceeds of RM859,259,270, payable in full upon application.

(ii) Offer for Sale

Offer for Sale by the existing ordinary shareholders to the public of up to 197,530,900 existing ordinary shares of RM0.15 each in AirAsia X ("Offer Shares"), representing approximately 8.3% of the enlarged issued and paid-up share capital of AirAsia X, at the initial issue price of RM1.45 per ordinary share ("IPO Price").

The Offer for Sale is not expected to have any effects on the issued and paid-up share capital of the Company as the Offer Shares were already in existence prior to the IPO.

Collectively, the Issue Shares and Offer Shares are referred to as IPO Shares.

For illustration purposes only, it is assumed that the price payable by the institutional investors to be determined by way of book building and the final price payable by the retail investors is equal to RM1.45, being the initial price payable by the retail investors.

(f) Shareholders' Benefit Programme

AirAsia X also proposes to implement a Shareholders' Benefit Programme as an incentive programme for its shareholders. The inaugural benefit which will be introduced under the Shareholders' Benefit Programme is applicable to shareholders who have successfully subscribed for, or acquired IPO Shares made available to Malaysian public, and the eligible passengers under the Retail Offering ("Retail Investors"). The Shareholders' Benefit Programme will be effective from the date of the Listing until it is terminated by the Board of Directors of AirAsia X, at its sole discretion.

The entitlements of the Retail Investors under the inaugural benefit are segregated into two categories:

<u>Category A</u>

All Retail Investors who successfully subscribe for, or acquire 10,000 IPO Shares up to 99,999 IPO Shares at Listing and who continue to hold a minimum of 10,000 IPO Shares ("Category A Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category A Eligible Shareholders"), will be entitled to receive and use one (1) zero fare return air ticket to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

1.1 The Proposal (continued)

(f) Shareholders' Benefit Programme (continued)

Category B

All Retail Investors who successfully subscribe for, or acquire 100,000 IPO Shares or more at Listing, and who continue to hold a minimum of 100,000 IPO Shares ("Category B Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category B Eligible Shareholders"), will be entitled to receive and use three (3) zero fare return air tickets to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

(collectively referred to as the "Inaugural Benefit")

The Category A Eligible Shareholders and Category B Eligible Shareholders are collectively referred to as the "Eligible Shareholders".

AirAsia Group is defined as AirAsia, its subsidiaries, joint venture companies, associate companies and other companies using the "AirAsia" brand name, taken as a whole (including AirAsia X).

(g) Utilisation of proceeds from Public Issue

The gross proceeds from the Public Issue of RM859,259,270 as stated in Note 1.1(e)(i) are expected to be utilised in the following manner:

	RM'000
Capital expenditure	280,000
Repayment of borrowings	285,809
General working capital	255,450
Estimated listing expenses	38,000
	859,259

The estimated IPO expenses totalling RM38 million to be borne by AirAsia X comprise brokerage, underwriting and placement fees, professional fees and miscellaneous expenses. The selling shareholders will bear their own professional fees and miscellaneous expenses in respect of the Offer for Sale. A total of RM23.5 million is assumed to be directly attributable to the Public Issue and as such, will be debited against the share premium account whereas the remaining IPO expenses of RM14.5 million are assumed to be attributable to the Listing and as such, will be charged to income statement.

Transactions (a) to (d) above will be implemented and completed before the IPO.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared for illustrative purposes only to show the effects on the audited Consolidated Balance Sheet as at 31 December 2012 based on the assumption that the Proposal as set out in Note 1.1 had been effected on 31 December 2012, and should be read in conjunction with the notes in this Section:

	Audited Consolidated Balance Sheet as at 31 December 2012	Adjustments for the Proposal	Pro Forma Consolidated Balance Sheet after the Proposal
	RM'000	RM'000	RM'000
Non-Current Assets			
Property, plant and equipment	1,325,822	280,000	1,605,822
Deferred tax assets	234,840	-	234,840
Deposits on aircraft purchases	418,395	-	418,395
Other deposits	126,058	-	126,058
	2,105,115	280,000	2,385,115
Current Assets			
Inventories	806	-	806
Receivables and prepayments	130,786	-	130,786
Amounts due from related parties	15,738	-	15,738
Deposits, cash and bank balances	173,951	269,733	443,684
Tax recoverable	1,711	-	1,711
	322,992	269,733	592,725
Less: Current Liabilities			
Trade and other payables	254,004	-	254,004
Amounts due to related parties	5,929	-	5,929
Sales in advance	195,188	5,716	200,904
Borrowings	521,045	(245,809)	275,236
	976,166	(240,093)	736,073
NET CURRENT LIABILITIES	(653,174)	509,826	(143,348)
Non-Current Liability			
Borrowings	871,211	(40,000)	831,211
NET ASSETS	580,730	829,826	1,410,556
Capital and Reserves attributable to the equity holders of the Company			
Share capital	266,667	90,367	357,034
Share premium	215,832	759,716	975,548
Currency translation reserve	(66)	-	(66)
Retained earnings	98,297	(20,257)	78,040
SHAREHOLDERS' EQUITY	580,730	829,826	1,410,556

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 (CONTINUED)

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared for illustrative purposes only to show the effects on the audited Consolidated Balance Sheet as at 31 December 2012 based on the assumption that the Proposal as set out in Note 1.1 had been effected on 31 December 2012, and should be read in conjunction with the notes in this Section (continued):

	Audited Consolidated Balance Sheet as at 31 December 2012	Adjustments for the Proposal	Pro Forma Consolidated Balance Sheet after the Proposal
Number of ordinary shares of RM1.00 each ('000)	224,000	N/A	N/A
Number of redeemable convertible preference shares of RM1.00 each ('000)	42,667	N/A	N/A
Total share capital ('000)	266,667	N/A	N/A
Number of ordinary shares of RM0.15 each ('000)	1,493,333^	886,887	2,380,220
Net tangible assets attributable to equity holders of the Company (RM'000)+	580,730	829,826	1,410,556
Net tangible assets attributable to equity holders of the Company per ordinary share (sen) ++	38.9		59.3
Net assets attributable to equity holders of the Company (RM'000)#	580,730	829,826	1,410,556
Net assets attributable to equity holders of the Company per ordinary share (sen)##	38.9		59.3

N/A Denotes not applicable

^ Number of ordinary shares illustrated is assumed to be retrospectively adjusted after completion of the subdivision of 224,000,001 shares on the basis of every three (3) ordinary shares of RM1.00 each subdivided into twenty (20) shares of RM0.15 each

+ Net tangible assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company less intangible assets (if any)

++ Net tangible assets attributable to equity holders of the Company per ordinary share = Net tangible assets attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each

Net assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company

Net assets attributable to equity holders of the Company per ordinary share = Equity attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.1 Basis of preparation

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared based on the audited Consolidated Balance Sheet of AirAsia X Group as at 31 December 2012 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the financial statements and accounting policies of AirAsia X Group, except for the adoption of new accounting policies for share-based payments and revenue recognition for multi-element arrangements as set out in Note 2.3 below.

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared for illustrative purposes only to show the effects on the audited Consolidated Balance Sheet as at 31 December 2012 on the assumption that the Proposal as set out in Note 1.1 had been effected on 31 December 2012, and should be read in conjunction with the notes in this Section.

The Pro Forma Consolidated Balance Sheet has been prepared for illustrative purposes only. Such information, because of its nature, does not give a true picture of the effects of the Proposal on the financial position of the Group, had the transactions or events occurred on 31 December 2012. Further, such information does not purport to predict AirAsia X Group's future financial position.

The auditors' report on the audited consolidated financial statements of AirAsia X Group as at 31 December 2012 used in the preparation of the Pro Forma Consolidated Balance Sheet was not subject to any modification.

2.2 Effects of the Proposal on the Pro Forma Consolidated Balance Sheet

The Pro Forma Consolidated Balance Sheet ("Pro Forma") has been prepared solely for illustrative purposes to show the effects of the Proposal as set out in Note 1.1, on the financial position of the Group as at 31 December 2012 after incorporating the following adjustments:

(a) Issuance of Issue Shares

The number of Issue Shares to be issued pursuant to the Proposal as described in Note 1.1(e)(i) is 592,592,600 new ordinary shares of RM0.15 each in AirAsia X. For purposes of the Pro Forma, the issue price of these shares is illustrated at RM1.45 per ordinary share to derive at the total gross proceeds of RM859,259,270, payable in full upon application.

(b) Employees Share Option Scheme ("ESOS")

For purposes of the Pro Forma Consolidated Balance Sheet, the number of ESOS Options in respect of 9,850,000 new ordinary shares as described in Note 1.1(d) is assumed to be granted and vested on 31 December 2012, upon which new ordinary shares are assumed to be issued and allotted on the same date. The exercise price of these options is illustrated at RM1.45 per option, amounting to total gross proceeds of RM14,282,500, payable in full upon issuance of the new ordinary shares.

The total fair value of the ESOS Options of RM4,714,000 is recognised in the income statement on the date of grant as share-based payment with a corresponding entry to the share option reserve. Upon the assumed allotment of the shares on 31 December 2012, the share option reserve will be realised into retained earnings, in accordance with the accounting policy for share-based payments as set out in Note 2.3(a) below.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.2 Effects of the Proposal on the Pro Forma Consolidated Balance Sheet (continued)

(c) Shareholders' Benefit Programme

For purposes of the Pro Forma Consolidated Balance Sheet, the fair value of the zero fare return air tickets to be given to Eligible Shareholders in conjunction with the Shareholders' Benefit Programme as described in Note 1.1(f) above, estimated at RM5,716,000 is recognised as sales in advance in the Pro Forma Consolidated Balance Sheet. The sales in advance will be recognised as revenue upon the rendering of transportation services.

The difference between the fair value of the shares in relation to the fair value of the arrangement taken as a whole, and the fair value of the shares at the listing of the Company, is accounted for as a share-based payment and is recognised in the income statement, in accordance with the accounting policy for revenue recognition for multi-element arrangements as set out in Note 2.3(b) below.

(d) Share Capital

The movements in share capital as at 31 December 2012 are as follows:

	Number of ordinary shares	Share capital
	'000	RM'000
Per Audited Consolidated Balance Sheet	224,000[(1)]*	266,667
Conversion of 42,666,667 RCPS held by AirAsia into ordinary shares of RM1.00 each	42,667**	-
Total number of ordinary shares of RM1.00 each	266,667	-
* Share subdivision of 224,000,001 ordinary shares of RM1.00 each into ordinary shares of RM0.15 each	1,493,333	266,667
Adjustments:		
** Share subdivision of 42,666,667 ordinary shares of RM1.00 each into ordinary shares of RM0.15 each	284,445	-
9,850,000 new ordinary shares of RM0.15 each, issued and allotted pursuant to the proposed Initial Grant at RM1.45 each	9,850	1,478
592,592,600 new ordinary shares of RM0.15 each, issued at RM1.45 each, pursuant to the IPO	592,592	88,889
	886,887	90,367
Per Pro Forma Consolidated Balance Sheet	2,380,220	357,034

(1) Comprises ordinary shares of RM1.00 each

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.2 Effects of the Proposal on the Pro Forma Consolidated Balance Sheet (continued)

(e) Share Premium

The movements in share premium as at 31 December 2012 are as follows:

	RM'000
Per Audited Consolidated Balance Sheet	215,832
Adjustments:	
9,850,000 new ordinary shares of RM0.15 each issued and allotted pursuant to the proposed Initial Grant	12,805
592,592,600 new ordinary shares of RM0.15 each, issued at RM1.45 each, pursuant to the IPO	770,370
Estimated listing expenses	(23,459)
	759,716
Per Pro Forma Consolidated Balance Sheet	975,548

(f) Retained Earnings

The movements in retained earnings as at 31 December 2012 are as follows:

	RM'000
Per Audited Consolidated Balance Sheet	98,297
Adjustments:	
Estimated listing expenses	(14,541)
Fair value of the zero fare return air tickets pursuant to the Inaugural Benefit under the Shareholders' Benefit Programme	(5,716)
	(20,257)
Per Pro Forma Consolidated Balance Sheet	78,040

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.3 New accounting policies adopted by the Group

(a) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The total amount to be recognised as an expense over the vesting period (which is the period over which all of the specified vesting conditions are to be satisfied) is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, with a corresponding increase to share option reserve equity. At the end of each financial year, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to share option reserve equity.

When the options are exercised, the Company issues new shares. The proceeds received from the exercise of the options, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium. The share option reserve is realised into retained earnings when options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(b) Revenue recognition for multi-element arrangements

The Group offers certain arrangements whereby eligible investors who acquire or subscribe to a minimum pre-determined number of shares at the listing of AirAsia X and continue to hold that minimum pre-determined number of shares for a specified period, will be entitled to receive and use a zero fare return air ticket to any destination flown by AirAsia X originating from Malaysia during the specified redemption period, subject to the terms and conditions as set out in the Prospectus.

The fair value of each element is determined based on the current market price of each of the elements when sold separately.

The amount recognised as equity upon the issuance of such shares is the fair value of the shares in relation to the fair value of the arrangement taken as a whole.

The amount recognised as sales in advance upon the issuance of such shares is the fair value of the zero fare air tickets in relation to the fair value of the arrangement. The sales in advance will be recognised as revenue upon the rendering of transportation services. At the end of each financial year, the Group revises its estimates of the number of zero fare air tickets that are expected to be issued based on prevailing conditions at each year-end, and recognises the impact of the revision of original estimates, if any, in the income statement. Sales in advance for unredeemed zero fare return air tickets will be recognised as revenue upon the expiry of the specified redemption period.

The difference between the fair value of the shares in relation to the fair value of the arrangement taken as a whole, and the fair value of the shares at the listing of the Company, is accounted for as a share-based payment and is recognised in the income statement.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

3 APPROVAL BY BOARD OF DIRECTORS

Approval and adopted by the Board of Directors of AirAsia X in accordance with its resolution dated 24 April 2013.

On behalf of the Board

LIM KIAN ONN
DIRECTOR

Kuala Lumpur
24 May 2013

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The Board of Directors
AirAsia X Berhad
Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor

24 May 2013

PwC/SN/MC/TCK/sw/0097C

Dear Sirs,

AirAsia X Berhad
Accountants' Report

1.0 Introduction

This Accountants' Report ("Report") has been prepared by PricewaterhouseCoopers, an approved company auditor, for the purpose of inclusion in the Prospectus of AirAsia X Berhad ("AirAsia X" or "the Company") in connection with the initial public offering ("IPO") and listing of AirAsia X on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), and should not be relied upon for any other purposes.

This Report is prepared based on the audited consolidated financial statements of AirAsia X and its subsidiaries ("AirAsia X Group" or "the Group") which have been prepared in accordance with approved accounting standards in Malaysia.

2.0 General Information

2.1 Background

AirAsia X was incorporated as a private limited liability company in Malaysia on 19 May 2006 under the name of Eden Hub Sdn Bhd. The Company subsequently changed its name to Fly Asian Xpress Sdn Bhd on 1 June 2006, and to AirAsia X Sdn Bhd, on 21 September 2007.

On 9 October 2012, the Company was converted from a private company to a public company. The name of the Company was altered from AirAsia X Sdn Bhd to AirAsia X Berhad with effect from that date.

The ultimate holding company is Aero Ventures Sdn Bhd, a company incorporated in Malaysia, which owns 62.2% of the equity interest of the issued and paid up capital of the Company as at 31 December 2012.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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The Board of Directors
AirAsia X Berhad
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24 May 2013

2.0 General Information (continued)

2.1 Background (continued)

The address of the registered office of the Company is as follows:

B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

The address of the principal place of business is as follows:

Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor Darul Ehsan

2.2 Principal activities

AirAsia X is principally engaged in the business of providing long haul air transportation services. The principal activities of the subsidiaries are the provision of management logistical and marketing services.

There were no significant changes in the nature of the principal activities of AirAsia X and its subsidiaries during the financial years relevant in this Report.

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

2.0 General Information (continued)

2.3 Details of the Listing Scheme

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme:

(a) Redeemable Convertible Preference Shares ("RCPS") Conversion

This is in relation to the conversion of the 42,666,667 RCPS held by AirAsia Berhad ("AirAsia") into ordinary shares under the terms of the RCPS due to the initial public offering ("IPO"), which will entail the new issuance of 42,666,667 ordinary shares of RM1.00 each in AirAsia X to AirAsia.

The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the share capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all of its RCPS into ordinary shares of RM1.00 each in the share capital of the Company upon receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

On 10 May 2013, AirAsia converted all of its outstanding 42,666,667 RCPS of RM1.00 each in the Company, on a one-to-one basis, into 42,666,667 new ordinary shares of RM1.00 each in the Company, without consideration, as disclosed in Note 12.25(g) of this Report.

(b) Share Subdivision

AirAsia X will undertake a subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company ("Shares").

On 13 May 2013, AirAsia X completed the subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company, as disclosed in Note 12.25(h) of this Report.

(c) Increase in Authorised Share Capital

AirAsia X will undertake to increase its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares.

On 13 May 2013, AirAsia X increased its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares, as disclosed in Note 12.25(h) of this Report.

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The Board of Directors
AirAsia X Berhad
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24 May 2013

2.0 General Information (continued)

2.3 Details of the Listing Scheme (continued)

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme: (continued)

(d) Initial Public Offering ("IPO")

(i) Public Issue

Public issue of 592,592,600 new ordinary shares of RM0.15 each in AirAsia X ("Issue Shares"), representing approximately 25.0% of the enlarged issued and paid up share capital of AirAsia X, at the issue price, payable in full upon application.

(ii) Offer for Sale

Offer for Sale by the existing ordinary shareholders to the public of up to 197,530,900 existing ordinary shares of RM0.15 each in AirAsia X ("Offer Shares"), representing approximately 8.3% of the enlarged issued and paid-up share capital of AirAsia X, at the issue price.

The Offer for Sale is not expected to have any effects on the issued and paid-up share capital of the Company as the Offer Shares were already in existence prior to the IPO.

Collectively, the Issue Shares and Offer Shares are referred to as IPO Shares.

The price payable by the institutional investors will be determined by way of book building and the final price payable by the retail investors will be equal to the final price payable by the institutional investors, subject that it will not exceed the retail price nor be lower than the par value of the shares.

(e) Employees' Share Option Scheme ("ESOS")

In conjunction with the Listing, AirAsia X has implemented an Employees' Share Option Scheme ("ESOS") which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of AirAsia X at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for another five (5) years, subject to a maximum duration of ten (10) years.

Prior to the Listing, the Board of Directors of AirAsia X proposes to grant up to 9,850,000 ESOS Options to eligible employees of AirAsia X ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws. The ESOS Options under the Initial Grant will be in respect of 9,850,000 new ordinary shares of RM0.15 each in the Company at an exercise price to be determined.

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
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2.0 General Information (continued)

2.3 Details of the Listing Scheme (continued)

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme: (continued)

(f) Shareholders' Benefit Programme

AirAsia X also proposes to implement a Shareholders' Benefit Programme as an incentive programme for its shareholders. The inaugural benefit which will be introduced under the Shareholders' Benefit Programme is applicable to shareholders who have successfully subscribed for, or acquired IPO Shares made available to Malaysian public, and the eligible passengers under the Retail Offering ("Retail Investors"). The Shareholders' Benefit Programme will be effective from the date of the Listing until it is terminated by the Board of Directors of AirAsia X, at its sole discretion. The entitlements of the Retail Investors under the inaugural benefit are segregated into two categories:

<u>Category A</u>

All Retail Investors who successfully subscribe for, or acquire 10,000 IPO Shares up to 99,999 IPO Shares at Listing and who continue to hold a minimum of 10,000 IPO Shares ("Category A Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category A Eligible Shareholders"), will be entitled to receive and use one zero fare return air ticket to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

<u>Category B</u>

All Retail Investors who successfully subscribe for, or acquire 100,000 IPO Shares or more at Listing, and who continue to hold a minimum of 100,000 IPO Shares ("Category B Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category B Eligible Shareholders"), will be entitled to receive and use 3 zero fare return air tickets to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

(collectively referred to as the "Inaugural Benefit")

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

2.0 General Information (continued)

2.3 Details of the Listing Scheme (continued)

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme: (continued)

(f) Shareholders' Benefit Programme (continued)

The Category A Eligible Shareholders and Category B Eligible Shareholders are collectively referred to as the "Eligible Shareholders".

AirAsia Group is defined as AirAsia, its subsidiaries, joint venture companies and associate companies and other companies using the "AirAsia" brand name, taken as a whole (including AirAsia X).

(g) Listing

Upon completion of all of the above, AirAsia X shall seek the listing of its entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities ("the Listing").

2.4 Share capital

Details of the authorised, and issued and paid up share capital of AirAsia X since its incorporation are as follows:

Authorised share capital

Date of creation	Par value	Number of ordinary shares	Number of redeemable convertible preference shares ("RCPS")	Cumulative authorised share capital
	RM			RM
19 May 2006	1.00	100,000	-	100,000
10 October 2006	1.00	4,900,000	-	5,000,000
10 April 2007	1.00	75,000,000	-	80,000,000
25 July 2007	1.00	90,000,000	-	170,000,000
12 September 2007	1.00	-	30,000,000	200,000,000
11 May 2010	1.00	100,000,000	-	300,000,000
11 May 2010	1.00	-	20,000,000	320,000,000
13 May 2013	1.00	-	(50,000,000)	270,000,000
		270,000,000	-	
Subdivision - 13 May 2013	0.15	1,800,000,000	-	270,000,000
13 May 2013	0.15	1,533,333,333	-	500,000,000
		3,333,333,333	-	

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The Board of Directors
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2.0 General Information (continued)

2.4 Share capital (continued)

Details of the authorised, and issued and paid up share capital of AirAsia X since its incorporation are as follows (continued):

Issued and paid-up share capital

Date of allotment	Par value	Number of ordinary shares	Number of RCPS	Consideration	Cumulative issued and paid-up share capital
	RM			RM	RM
19 May 2006	1.00	2	-	2	2
18 July 2006	1.00	1	-	1	3
10 October 2006	1.00	499,997	-	499,997	500,000
7 November 2006	1.00	1,500,000	-	1,500,000	2,000,000
25 July 2007	1.00	78,000,000	-	78,000,000	80,000,000
15 August 2007	1.00	20,000,000	-	20,000,000	100,000,000
29 October 2007	1.00	6,666,667	-	6,666,667	106,666,667
29 October 2007	1.00	-	26,666,667	26,666,667	133,333,334
14 December 2007	1.00	33,333,334	-	249,165,000	166,666,668
27 May 2010	1.00	58,000,000	-	58,000,000	224,666,668
11 June 2010	1.00	10,000,000	-	10,000,000	234,666,668
3 July 2010	1.00	4,707,200	-	4,707,200	239,373,868
7 July 2010	1.00	11,292,800	-	11,292,800	250,666,668
9 July 2010	1.00	-	16,000,000	16,000,000	266,666,668
10 May 2013	1.00	42,666,667	(42,666,667)	-	266,666,668
		266,666,668	-	482,498,334	
Subdivision					
13 May 2013	0.15	1,777,777,787	-	482,498,334	266,666,668

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

2.0 General Information (continued)

2.5 Subsidiaries

The subsidiaries of AirAsia X are as follows:

Companies	Principal activities	Effective ownership 31.12.2010 %	31.12.2011 %	31.12.2012 %
AirAsia X Services Pty Ltd (Incorporated in Australia)	Provision of management logistical and marketing services	100	100	100
AirAsia X NZ Ltd (Incorporated in New Zealand)	Provision of management logistical and marketing services	-	100	100
AAX Capital Ltd (Incorporated in the Federal Territory of Labuan)	Dormant	100	100	100
AAX Leasing I Limited (Incorporated in the Federal Territory of Labuan)	Engine leasing	-	100	100

3.0 Auditors and Audited Financial Statements

3.1 Auditors

We are the auditors of AirAsia X Group for the financial years included in this Report, other than for the following entities:

Entity names	Auditors
AirAsia X Services Pty Ltd	KPMG Australia Certified Public Accountants, Australia Level 11, Corporate Centre One Cnr Bundall Road & Slatyer Avenue Bundall QLD 4217
AirAsia X NZ Ltd	KPMG New Zealand Certified Public Accountants, New Zealand 62 Worcester Boulevard PO Box 1739 Christchurch 8140

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

3.0 Auditors and Audited Financial Statements (continued)

3.2 Audited financial statements

We have audited the financial statements of AirAsia X Group, which comprise the balance sheets as at 31 December 2010, 31 December 2011 and 31 December 2012, and the statements of income, comprehensive income, changes in equity and cash flows of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012. In our audit reports of these financial statements, we expressed the opinion that the respective consolidated financial statements have been properly drawn up in accordance with:

(i) Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of the financial position of AirAsia X Group as at 31 December 2010 and its financial performance and cash flows for the financial year ended 31 December 2010; and

(ii) Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of AirAsia X Group as at 31 December 2011 and 31 December 2012, and its financial performance and cash flows for the financial years ended 31 December 2011 and 31 December 2012.

This Report was prepared using the audited financial statements of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, which included the restatements for the financial years ended 31 December 2010 and 31 December 2011, as disclosed in the audited financial statements for the financial year ended 31 December 2012 and the 6 months ended 30 June 2012.

We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 respectively.

The auditors' reports on the consolidated financial statements of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 were not subject to any modification.

No audited financial statements have been prepared in respect of any financial period subsequent to 31 December 2012.

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

4.0 Consolidated Income Statements of AirAsia X Group

	Note	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Revenue	12.1	1,289,102	1,862,381	1,967,427
Operating expenses:				
- Staff costs	12.2	(125,234)	(158,418)	(180,498)
- Depreciation of property, plant and equipment		(101,791)	(104,837)	(107,097)
- Aircraft fuel expenses		(597,875)	(1,018,428)	(925,294)
- Maintenance, overhaul, user charges and other related expenses		(229,190)	(306,157)	(381,545)
- Aircraft operating lease expenses		(74,320)	(145,803)	(152,408)
- Other operating expenses	12.3	(192,832)	(203,129)	(178,598)
Other income	12.4	39,338	14,282	6,981
Operating profit/(loss)		7,198	(60,109)	48,968
Finance income	12.5	2,143	6,002	1,876
Finance costs	12.5	(55,073)	(52,245)	(56,438)
Net foreign exchange gains/(losses) on borrowings	12.5	143,687	(25,082)	43,599
Profit/(loss) before taxation		97,955	(131,434)	38,005
Taxation				
- Current taxation	12.6	(641)	(1,556)	900
- Deferred taxation	12.6	49,288	36,361	(5,055)
		48,647	34,805	(4,155)
Net profit/(loss) for the financial year		146,602	(96,629)	33,850
Basic earnings/(loss) per share attributable to ordinary equity holders of the Company (sen)	12.22	62.2	(36.2)	12.7
Diluted earnings/(loss) per share attributable to ordinary equity holders of the Company (sen)	12.22	62.2	(36.2)	12.7

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5.0 Consolidated Statements of Comprehensive Income of AirAsia X Group

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Net profit/(loss) for the financial year	146,602	(96,629)	33,850
Other comprehensive income/(loss), net of tax			
- Foreign currency translation differences	4	(69)	(1)
Total comprehensive income/(loss) for the financial year	146,606	(96,698)	33,849
Total comprehensive income/(loss) attributable to:			
- Equity holders of the Company	146,606	(96,698)	33,849
- Non-controlling interests	-	-	-
	146,606	(96,698)	33,849

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6.0 Consolidated Balance Sheets of AirAsia X Group

	Note	31.12.2010* (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	12.7	1,508,440	1,421,501	1,325,822
Deferred tax assets	12.8	203,534	239,895	234,840
Deposits on aircraft purchases	12.10	244,775	369,251	418,395
Other deposits	12.11	27,300	125,286	126,058
		1,984,049	2,155,933	2,105,115
CURRENT ASSETS				
Inventories	12.12	524	891	806
Receivables and prepayments	12.13	99,174	119,751	130,786
Amounts due from related parties	12.14	45,032	10,814	15,738
Deposits, cash and bank balances	12.15	356,236	113,980	173,951
Tax recoverable		-	59	1,711
		500,966	245,495	322,992
LESS: CURRENT LIABILITIES				
Trade and other payables	12.16	111,131	158,633	254,004
Amounts due to related parties	12.14	-	-	5,929
Sales in advance		506,483	417,087	195,188
Borrowings	12.17	125,535	253,551	521,045
Current taxation liabilities		570	280	-
		743,719	829,551	976,166
NET CURRENT LIABILITIES		(242,753)	(584,056)	(653,174)

* Also represents the consolidated balance sheet (and the related disclosure notes) of the Group as at 1 January 2011, which is the MFRS transition date.

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6.0 Consolidated Balance Sheets of AirAsia X Group (continued)

	Note	31.12.2010* (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
NON-CURRENT LIABILITY				
Borrowings	12.17	1,097,717	1,024,996	871,211
		643,579	546,881	580,730
CAPITAL AND RESERVES				
Share capital	12.18	266,667	266,667	266,667
Share premium		215,832	215,832	215,832
Retained earnings		161,076	64,447	98,297
Currency translation reserve		4	(65)	(66)
SHAREHOLDERS' EQUITY		643,579	546,881	580,730

* Also represents the consolidated balance sheet (and the related disclosure notes) of the Group as at 1 January 2011, which is the MFRS transition date.

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7.0 Consolidated Statements of Changes in Equity of AirAsia X Group

	Note	Issued and fully paid ordinary shares of RM1.00 each Number of shares '000	Issued and fully paid ordinary shares of RM1.00 each Nominal value RM'000	Issued and fully paid RCPS* of RM1.00 each Number of shares '000	Issued and fully paid RCPS* of RM1.00 each Nominal value RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2010		140,000	140,000	26,667	26,667	215,832	-	14,474	396,973
Net profit for the financial year (as restated)		-	-	-	-	-	-	146,602	146,602
Other comprehensive income		-	-	-	-	-	4	-	4
Total comprehensive income (as restated)		-	-	-	-	-	4	146,602	146,606
Issuance of shares	12.18	84,000	84,000	16,000	16,000	-	-	-	100,000
At 31 December 2010		224,000	224,000	42,667	42,667	215,832	4	161,076	643,579

* RCPS - Redeemable Convertible Preference Shares

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7.0 Consolidated Statements of Changes in Equity of AirAsia X Group (continued)

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each					
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2011	224,000	224,000	42,667	42,667	215,832	4	161,076	643,579
Net loss for the financial year (as restated)	-	-	-	-	-	-	(96,629)	(96,629)
Other comprehensive loss	-	-	-	-	-	(69)	-	(69)
Total comprehensive loss (as restated)	-	-	-	-	-	(69)	(96,629)	(96,698)
At 31 December 2011	224,000	224,000	42,667	42,667	215,832	(65)	64,447	546,881

* RCPS - Redeemable Convertible Preference Shares

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7.0 Consolidated Statements of Changes in Equity of AirAsia X Group (continued)

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each					
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2012	224,000	224,000	42,667	42,667	215,832	(65)	64,447	546,881
Net profit for the financial year	-	-	-	-	-	-	33,850	33,850
Other comprehensive loss	-	-	-	-	-	(1)	-	(1)
Total comprehensive (loss)/income	-	-	-	-	-	(1)	33,850	33,849
At 31 December 2012	224,000	224,000	42,667	42,667	215,832	(66)	98,297	580,730

* RCPS - Redeemable Convertible Preference Shares

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8.0 Consolidated Statements of Cash Flows of AirAsia X Group

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation	97,955	(131,434)	38,005
Adjustments:			
Property, plant and equipment:			
- Depreciation	101,791	104,837	107,097
- Gain on disposal	(27,004)	(8,236)	(1,148)
- Write-off	-	-	23
Impairment on receivables	-	421	1,545
Interest expense	55,073	52,245	56,438
Interest income	(2,143)	(4,640)	(1,064)
Fair value gain on derivative financial instruments	(307)	-	-
Interest income on deposits for leased aircraft	-	(1,362)	(812)
Unrealised foreign exchange (gain)/loss	(94,875)	30,295	(38,812)
	130,490	42,126	161,272
Changes in working capital:			
Inventories	286	(367)	85
Receivables, prepayments and other deposits	(23,338)	(118,286)	(15,520)
Amounts due from/(to) related parties	(42,864)	33,736	1,532
Trade and other payables	(6,334)	43,629	93,579
Sales in advance	227,851	(89,396)	(221,899)
Cash generated from/(used in) operations	286,091	(88,558)	19,049
Interest paid	(60,718)	(51,723)	(56,170)
Interest received	2,680	5,077	957
Tax paid	(301)	(1,905)	(1,032)
Net cash generated from/(used in) operating activities	227,752	(137,109)	(37,196)

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8.0 Consolidated Statements of Cash Flows of AirAsia X Group (continued)

	Note	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment:				
- Additions		(655,330)	(17,898)	(37,289)
- Proceeds from disposal		580,901	8,236	26,996
Deposits on aircraft purchase		175,844	(119,511)	(49,700)
Net cash generated from/(used in) investing activities		101,415	(129,173)	(59,993)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	12.18	100,000	-	-
Proceeds from borrowings		635,144	177,307	355,313
Repayments of borrowings		(776,708)	(151,425)	(201,062)
(Placement)/release of restricted cash		(7,413)	7,413	-
Net cash (used in)/generated from financing activities		(48,977)	33,295	154,251
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR		280,190	(232,987)	57,062
CURRENCY TRANSLATION DIFFERENCES		4,648	(1,856)	2,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		63,985	348,823	113,980
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	12.15	348,823	113,980	173,951

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9.0 Financial Risk Management Policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their market risk (including fuel price risk, interest rate risk and foreign currency exchange risk), credit risk and liquidity risk, and cash flow risk. The Group operates within defined guidelines that are approved and reviewed periodically by the Board of Directors to minimise the effects of such volatility on its 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. Risk management policies and procedures are reviewed regularly to reflect changes in the market conditions 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 exchange, credit, liquidity and cash flow risks.

The policies in respect of the major areas of treasury activities are as follows:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign 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 optimising the return on risk.

(i) Fuel price risk

The Group is exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group relies on a related party for certain treasury activities, including hedging of fuel price, which is contracted and managed by the related party. Any gain or loss arising from fuel hedging is recognised when the risk transfers to the Group upon consumption of the fuel, within "Aircraft fuel expenses" in Operating Expenses.

During the financial year ended 31 December 2012, the Group entered into Brent fixed swap and Singapore Jet Kerosene fixed swap. There are no outstanding number of barrels of Brent and Singapore Jet Kerosene derivative contracts as at 31 December 2012 (2011 and 2010: Nil).

As at 31 December 2012, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the net profit/(loss) for the financial year would have been RM26.8 million (2011: RM29.9 million) higher/lower.

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9.0 Financial Risk Management Policies (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

As at 31 December 2012, if interest rate on USD denominated borrowings had been 60 basis points higher/lower with all other variables held constant, the impact on the net profit/(loss) for the financial year would have been RM4.4 million (2011: RM4.7 million) higher/lower.

(iii) Foreign currency exchange risk

Apart from Ringgit Malaysia ("RM"), the Group transacts business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), New Zealand Dollar ("NZD") and Pound Sterling ("GBP"). In addition, the Group has significant borrowings in USD, mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's firm order of 15 Airbus A330-300 aircraft (Note 12.17). Therefore, 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 2012, if RM had weakened/strengthened by 5% against USD with all other variables held constant, net profit/(loss) for the financial year would have been RM43.2 million (2011: RM50.7 million; 2010: RM67.4 million) lower/higher, mainly as a result of foreign currency exchange losses/gains on translation of USD denominated receivables and borrowings (term loans and revolving credit). The exposure to other foreign currency of the Group is not material and hence, sensitivity analysis is not presented.

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9.0 Financial Risk Management Policies (continued)

(a) Market risk (continued)

(iii) Foreign currency exchange risk (continued)

At 31 December 2010

	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	NZD RM'000	GBP RM'000	Others RM'000
Financial assets							
Receivables	58,091	9,095	9	3,675	677	-	188
Amounts due from related parties	21,390	(499)	-	-	-	-	387
Deposits, cash and bank balances	40,791	108,948	113	-	-	1,536	2,719
Other deposits *	27,300	-	-	-	-	-	-
	147,572	117,544	122	3,675	677	1,536	3,294
Financial liabilities							
Trade and other payables	34,501	18,736	9,398	-	-	6,811	13,773
Borrowings	1,223,252	-	-	-	-	-	-
	1,257,753	18,736	9,398	-	-	6,811	13,773
Net exposure	(1,110,181)	98,808	(9,276)	3,675	677	(5,275)	(10,479)

* Include currency exposure for other deposits that are financial assets only.

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9.0 Financial Risk Management Policies (continued)

(a) Market risk (continued)

(iii) Foreign currency exchange risk (continued)

At 31 December 2011	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	NZD RM'000	GBP RM'000	Others RM'000
Financial assets							
Receivables	34,166	11,885	2,757	3,811	2,727	-	2,548
Amounts due from related parties	139	(36,647)	-	-	-	293	549
Deposits, cash and bank balances	10,035	10,719	2,198	-	2,126	6,451	4,315
Other deposits *	25,144	-	-	-	-	-	-
	69,484	(14,043)	4,955	3,811	4,853	6,744	7,412
Financial liabilities							
Trade and other payables	34,491	27,245	14,511	-	868	9,029	16,058
Borrowings	1,187,234	-	-	-	-	-	-
	1,221,725	27,245	14,511	-	868	9,029	16,058
Net exposure	(1,152,241)	(41,288)	(9,556)	3,811	3,985	(2,285)	(8,646)

* Include currency exposure for other deposits that are financial assets only.

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9.0 Financial Risk Management Policies (continued)

(a) Market risk (continued)

(iii) Foreign currency exchange risk (continued)

At 31 December 2012

	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	NZD RM'000	GBP RM'000	Others RM'000
Financial assets							
Receivables	75,333	8,636	666	1,547	94	-	2,717
Amounts due from related parties	25	(6,679)	-	-	-	-	-
Deposits, cash and bank balances	43,247	62,128	662	-	723	722	14,394
Other deposits *	33,739	-	-	-	-	-	-
	152,344	64,085	1,328	1,547	817	722	17,111
Financial liabilities							
Trade and other payables	68,496	45,676	7,335	-	3	735	31,549
Amounts due to related parties	1,262	-	-	-	-	-	-
Borrowings	1,082,947	-	-	-	-	-	-
	1,152,705	45,676	7,335	-	3	735	31,549
Net exposure	(1,000,361)	18,409	(6,007)	1,547	814	(13)	(14,438)

* Include currency exposure for other deposits that are financial assets only.

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9.0 Financial Risk Management Policies (continued)

(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 it's contractual obligations and arises principally from the Group's receivables from customers, cash and cash equivalents and financial assets (derivative instruments).

The Group's exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances, and receivables. As the Group does not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the balance sheets. 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 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 the government.

The Group 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.

Whilst the Group's current liabilities exceeded its current assets by RM653,174,000 as at 31 December 2012, the Directors are of the view that no material uncertainty related to these conditions exists that may cast significant doubt on the Group's ability to continue as a going concern. The Directors believe that the Group is able to realise its assets and discharge its liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. In addition, the Group has access to unutilised revolving credit facilities of RM75.9 million as at 31 December 2012 (2011:RM63.8 million; 2010:RM185.6 million).

As disclosed in Note 12.25(a) of this Report, the Company had on 29 October 2012 submitted the exposure draft of its prospectus in relation to the initial public offering ("IPO") of its shares in conjunction with the listing of and quotation for the entire ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. The proposed listing was approved by the Securities Commission on 7 May 2013. The IPO exercise is anticipated to be completed within the financial year ending 31 December 2013. Proceeds receivable from the public issue of new shares is expected to be utilised for capital expenditure, repayment of bank borrowings and general working capital of the Company.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

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9.0 Financial Risk Management Policies (continued)

(c) Liquidity and cash flow risk (continued)

The amounts disclosed in the table below are the contractual undiscounted cash flows.

At 31 December 2010	Under 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
Term loans	145,685	141,383	397,248	615,230	1,299,546
Revolving credit	3,877	108,298	-	-	112,175
Syndicated loan	28,636	26,992	19,505	-	75,133
Trade and other payables	111,131	-	-	-	111,131
	289,329	276,673	416,753	615,230	1,597,985

At 31 December 2011	Under 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
Term loans	145,124	140,438	394,274	504,558	1,184,394
Revolving credit	129,690	100,371	47,137	-	277,198
Commodity Murabahah Term Financing	32,207	21,655	-	-	53,862
Trade and other payables	158,633	-	-	-	158,633
	465,654	262,464	441,411	504,558	1,674,087

At 31 December 2012	Under 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
Term loans	135,561	257,958	240,561	368,824	1,002,904
Time loan	49,146	-	-	-	49,146
Revolving credit	376,281	96,757	42,599	-	515,637
Commodity Murabahah Term Financing	22,010	-	-	-	22,010
Trade and other payables	254,004	-	-	-	254,004
Amounts due to related parties and subsidiaries	5,929	-	-	-	5,929
	842,931	354,715	283,160	368,824	1,849,630

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9.0 Financial Risk Management Policies (continued)

(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. The Group's overall strategy in respect of the capital structure remains unchanged from the previous financial year.

The Group monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total shareholders' equity. Total debts are defined as total borrowings (including "short term and long term borrowings" as shown in the balance sheets).

The gearing ratio as at the balance sheet date is as follows:

	2010 RM'000	2011 RM'000	2012 RM'000
Total borrowings (a)	1,223,252	1,278,547	1,392,256
Total equity attributable to equity holders of the Company (b)	643,579	546,881	580,730
Gearing ratio (a)/(b)	1.9	2.3	2.4

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010, except that the Group did not meet certain financial ratio covenants for two borrowing facilities totalling RM148 million as at 31 December 2012. As the loan facilities are already repayable on demand, the carrying values of both loans were classified as short term borrowings under current liabilities at that date. The respective lenders had granted an indulgence to the Group from having to comply with the financial covenant ratios until 30 June 2013. The Group's overall strategy for capital risk management remains unchanged.

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9.0 Financial Risk Management Policies (continued)

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, 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.

The Group does not have any financial assets or financial liabilities measured at fair values as at 31 December 2010, 31 December 2011 and 31 December 2012.

10.0 Summary of Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements unless otherwise stated.

<u>Basis of preparation of the financial statements</u>

This Report was prepared using the audited financial statements of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, which included the restatements for the financial years ended 31 December 2010 and 31 December 2011, as disclosed in the audited financial statements for the financial year ended 31 December 2012 and the 6 months ended 30 June 2012.

The financial statements of the Group for the financial year ended 31 December 2010 was prepared in accordance with Financial Reporting Standards ('FRSs'), the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The financial statements of the Group for the financial years ended 31 December 2011 and 31 December 2012 were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 1965 in Malaysia.

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10.0 Summary of Significant Accounting Policies (continued)

Basis of preparation of the financial statements (continued)

The financial statements of the Group for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'. The Group has consistently applied the same accounting policies in their opening MFRS balance sheet as at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Save for the required presentation of a balance sheet and related notes as of the date of transition on 1 January 2011, there is no other significant impact on the Group's financial results and position, or changes to the accounting policies of the Group arising from the adoption of this MFRS Framework.

The financial statements had been prepared under the historical cost convention except as disclosed in the significant accounting policies below.

The preparation of financial statements in conformity with FRS and MFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgments 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 Group's financial statements are disclosed in Note 11 of this Report.

At 31 December 2010, the Group had net current liabilities of RM242,753,000.

The Group made a net loss of RM96,629,000 for the financial year ended 31 December 2011 and had net current liabilities of RM584,056,000 at that date.

At 31 December 2012, the Group had net current liabilities of RM653,174,000.

The Directors are of the view that no material uncertainty related to these conditions exists that may cast significant doubt on the Group's ability to continue as a going concern. The Directors believe that the Group is able to realise its assets and discharge its liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. In addition, the Group has access to unutilised revolving credit facilities of RM75.9 million as at 31 December 2012 (31.12.2011:RM63.8 million; 31.12.2010:RM185.6 million).

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10.0 Summary of Significant Accounting Policies (continued)

Basis of preparation of the financial statements (continued)

As disclosed in Note 12.25(a) of this Report, AirAsia X had on 29 October 2012 submitted the exposure draft of its prospectus in relation to the initial public offering ("IPO") of its shares in conjunction with the listing of and quotation for the entire ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. The proposed listing was approved by the Securities Commission on 7 May 2013. The IPO exercise is anticipated to be completed within financial year ending 31 December 2013. Proceeds receivable from the public issue of new shares is expected to be utilised for capital expenditure, repayment of bank borrowings and general working capital of the Group.

10.1 Financial year ended 31 December 2010

Standards, amendments to published standards and interpretations that were effective

The new accounting standards, amendments and improvements to published standards and interpretations that were effective for the Group's financial year beginning on or after 1 January 2010 are as follows:

- FRS 4 "Insurance Contract"
- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customer Loyalty Programmes"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"
- Improvements to FRSs (2009)

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10.0 Summary of Significant Accounting Policies (continued)

10.1 Financial year ended 31 December 2010 (continued)

The adoption of the following FRSs, amendments and interpretations did not have any effect on the financial performance or financial position of the Group except for those discussed below:

(i) Revised FRS 101 "Presentation of Financial Statements"

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statements of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group had elected to present the statement of comprehensive income in two statements. As a result, the Group had presented all owner changes in equity in the consolidated statement of changes in equity whilst all non-owner changes in equity had been presented in the consolidated statements of comprehensive income. There was no impact on the earnings per share since these changes affect only the presentation of items of income and expenses.

(ii) FRS 7 "Financial Instruments: Disclosures"

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 "Financial Instruments: Disclosure and Presentation". FRS 7 introduces new disclosures to improve the information about financial instruments. It required the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's financial statements for the financial year ended 31 December 2010. As the adoption of this new accounting standard only results in additional disclosures, there was no impact on earnings per share.

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10.0 Summary of Significant Accounting Policies (continued)

10.1 Financial year ended 31 December 2010 (continued)

The adoption of the following FRSs, amendments and interpretations did not have any effect on the financial performance or financial position of the Group except for those discussed below: (continued)

(iii) FRS 139 "Financial Instruments: Recognition and Measurement"

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions.

The adoption of FRS 139 had resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Comparatives for financial instruments for the financial year ended 31 December 2009 were not adjusted and therefore the corresponding balances are not comparable. Significant changes in accounting policies are as follows:

(i) Derivatives

Prior to 1 January 2010, derivative financial instruments were not recognised in the financial statements on inception. With the adoption of FRS 139, derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured at their fair values.

The Group applied the new policy according to the transitional provisions by recognising and measuring derivatives, as appropriate, and recording any adjustments to the previous carrying amounts to the opening retained earnings or, if appropriate, another category of equity, of the current financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

(ii) Loans and receivables

Non-current receivables, previously measured at invoiced amount and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the income statements. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statements.

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10.0 Summary of Significant Accounting Policies (continued)

10.1 Financial year ended 31 December 2010 (continued)

The adoption of the following FRSs, amendments and interpretations did not have any effect on the financial performance or financial position of the Group except for those discussed below: (continued)

(iii) FRS 139 "Financial Instruments: Recognition and Measurement" (continued)

(ii) Loans and receivables (continued)

Prior to 1 January 2010, the Group also stated its other non-current financial liabilities at undiscounted amount payable. With the adoption of FRS 139, these financial liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

In accordance with the transitional provisions for the first time adoption of FRS 139, the above changes in accounting policy have been accounted for prospectively and the comparatives as at 31 December 2009 were not restated.

10.2 Financial year ended 31 December 2011

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations to existing standards that were effective for the Group's financial year beginning on or after 1 January 2011 are as follows:

- FRS 1 (revised) "First-time Adoption of Financial Reporting Standards" and the related Amendments
- FRS 3 (revised) "Business Combinations"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- Amendments to FRS 2 "Share-based Payment - Group Cash-settled Share-based Payment Transactions"
- Amendments to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendments to FRS 132 "Financial Instruments: Presentation – Classification of Rights Issues"
- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"
- Improvements to FRSs (2010)

The adoption of the above FRSs, amendments to FRSs and IC Interpretations did not have any material effect on the financial statements of the Group, other than enhanced disclosures in relation to Amendments to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments".

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10.0 Summary of Significant Accounting Policies (continued)

10.3 Financial year ended 31 December 2012

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to standards and interpretations in the following periods:

Financial year beginning on or after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

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10.0 Summary of Significant Accounting Policies (continued)

10.3 Financial year ended 31 December 2012 (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following periods (continued):

Financial year beginning on or after 1 January 2013 (continued)

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left out after the control provisions of MFRS 127 have been included in the new MFRS 10.
- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in other comprehensive income ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.
- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

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10.0 Summary of Significant Accounting Policies (continued)

10.3 Financial year ended 31 December 2012 (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following periods (continued):

Financial year beginning on or after 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Financial year beginning on or after 1 January 2015

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Group is in the process of making an assessment of the impact of the adoption of these standards, amendments to published standards and interpretations to existing standards.

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10.0 Summary of Significant Accounting Policies (continued)

10.4 Basis of consolidation

Subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary which is recognised in profit or loss attributable to the parent.

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10.0 Summary of Significant Accounting Policies (continued)

10.4 Basis of consolidation (continued)

Change in accounting policy

The Group changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business Combinations" and FRS 127 "Consolidated and Separate Financial Statements" on 1 January 2011.

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group applied the new policies prospectively to transactions occurring on or after 1 January 2011. However, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Previously, the Group stopped attributing losses to the non-controlling interest where the losses exceeded the carrying amount of the non-controlling interest. The Group has applied this policy prospectively. On the date of adoption of the new policy, the non-controlling interest reflects its previous carrying amount (that is, zero).

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10.0 Summary of Significant Accounting Policies (continued)

10.5 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. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over the following estimated useful lives:

Aircraft:	
- engines	4 or 25 years
- airframe	6, 12 or 25 years
- service potential	6 or 10 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 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 values at the balance sheet date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. As at 31 December 2012, the estimated residual value for aircraft airframe and engines is 10% of their cost (31.12.2011 and 31.12.2010: 10% of their cost).

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

The costs of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

Deposits on aircraft purchases 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.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 10.6 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 income statements.

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10.0 Summary of Significant Accounting Policies (continued)

10.6 Impairment of non-financial assets

Non-current assets are reviewed for impairment losses 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 cost to sell 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 (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss arising is charged to the income statements. Any subsequent increase in recoverable amount is recognised in the income statements.

10.7 Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy for property, plant and equipment (see Note 10.5)

Leased aircraft

Where the Group has 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 income statements calculated by reference to the number of hours or cycles operated during the financial year.

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10.0 Summary of Significant Accounting Policies (continued)

10.8 Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the commencement dates of the respective leases based on the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates as stated in Note 10.5 above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statements on a straight-line basis over the lease period.

Assets leased out by the Group under operating leases are included in property, plant and equipment in the balance sheets. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

10.9 Inventories

Inventories comprising spares, consumables 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 incidental costs 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 estimated costs to completion and applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

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10.0 Summary of Significant Accounting Policies (continued)

10.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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. 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).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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 qualify 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 statements.

Amounts accumulated in equity are reclassified to the income statements 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 the income statements within 'finance cost'.

However, 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 the cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

The Group has applied the policy according to the transitional provisions of FRS 139 in the financial year ended 31 December 2010 by recognising and measuring derivatives, where applicable, and recording any adjustments to the previous carrying amounts to the opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparatives for financial instruments for the financial year ended 31 December 2009 have not been adjusted and therefore the corresponding balances are not comparable.

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10.0 Summary of Significant Accounting Policies (continued)

10.11 Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

<u>Financial year ended 31 December 2010 onwards</u>

Upon adoption of FRS 139: "Financial Instruments 'Recognition and Measurement" with effect from 1 January 2010, trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less allowance for impairment.

10.12 Cash and cash equivalents

For the purpose of 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 and net of bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

10.13 Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

Dividends are recognised as a liability in the period in which they are declared. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.

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10.0 Summary of Significant Accounting Policies (continued)

10.14 Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. The finance costs, which represent the difference between the net proceeds and the total amount of the payments of these borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

Financial year ended 31 December 2011 onwards

Borrowings are initially recognised at fair value, net of transaction costs incurred. The finance costs, which represent the difference between the initial recognised amount and the redemption value, are recognised in the financial statements over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the construction or development of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the assets for their intended use or sale, and include those costs on borrowings acquired specifically for the construction or development of property, plant and equipment, as well as those in relation to general borrowings used to finance the construction or development of property, plant and equipment.

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

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

10.15 Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised 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.

Deferred tax assets are recognised for the carry forward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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10.0 Summary of Significant Accounting Policies (continued)

10.16 Employee benefits

(i) 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.

(ii) Defined contribution plan

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

10.17 Revenue recognition

Revenue from scheduled passenger flights is recognised upon the rendering of transportation services and where applicable, net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

Revenue from charter flights is recognised upon the rendering of transportation services.

Fuel surcharge, insurance surcharge, administrative fees, seat fees, change fees, convenience fees, excess baggage and baggage handling fees are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Freight and other related revenue are recognised upon the completion of services rendered and where applicable, net of discounts.

Management fees are recognised on an accrual basis.

Incentives and commission income are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised using the effective interest method.

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10.0 Summary of Significant Accounting Policies (continued)

10.18 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each 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 Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

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10.0 Summary of Significant Accounting Policies (continued)

10.19 Contingent liabilities

The Group does not recognise a contingent liability 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 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 circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

<u>Financial year ended 31 December 2011 onwards</u>

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests.

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 FRS 137/MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118/MFRS 118 'Revenue'.

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10.0 Summary of Significant Accounting Policies (continued)

10.20 Financial assets

(i) Classification

The Group changed its accounting policy for recognition and measurement of financial assets upon the adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010.

The Group classifies its financial assets in the following categories: as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from related parties' and 'deposits, cash and bank balances' in the balance sheets.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

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10.0 Summary of Significant Accounting Policies (continued)

10.20 Financial assets (continued)

(iii) Subsequent measurement – gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in income statements in the period in which the changes arise.

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or

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10.0 Summary of Significant Accounting Policies (continued)

10.20 Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include (continued):

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (a) adverse changes in the payment status of borrowers in the portfolio; and

  (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statements. If 'loans and receivables' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statements.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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10.0 Summary of Significant Accounting Policies (continued)

10.21 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheets 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 liabilities simultaneously.

10.22 Trade and other payables

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

Financial year ended 31 December 2010 onwards

Upon adoption of FRS 139: "Financial Instruments: Recognition and Measurement" with effect from 1 January 2010, trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

10.23 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 Chief Executive Officer that makes strategic decisions.

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11.0 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 financial year are outlined below:

(i) Estimated useful lives and residual values of aircraft frames and engines

The Group reviews annually the estimated useful lives and residual values of aircraft frames and engines based on factors such as business plan and strategies, expected level of usage, future technological developments and market prices.

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction of 5% in the residual values of aircraft frames and engines as disclosed in Note 10.5, would increase the recorded depreciation for the financial year ended 31 December 2012 by RM2,425,000 (2011: RM2,425,000; 2010: RM1,835,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2012 by RM4,521,000 (2011: RM2,840,000; 2010: RM1,282,000).

(ii) Deferred tax assets

The deferred tax assets are recognised on the basis of the Group's projected future profits, following the withdrawal of certain loss making routes in 2012, as disclosed in Note 12.24(a) of this Report. The 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.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group

12.1 Revenue

	2010 RM'000	2011 RM'000	2012 RM'000
Scheduled flights	994,070	1,410,379	1,283,577
Refunds	(6,400)	(615)	(1,799)
	987,670	1,409,764	1,281,778
Charter flights	8,648	4,218	67,848
Fuel surcharge	2	44,427	148,226
Freight and cargo	54,966	96,471	79,267
Ancillary revenue	237,668	307,137	363,934
Management fees	148	364	364
Other revenue	-	-	26,010
	1,289,102	1,862,381	1,967,427

Ancillary revenue includes administrative and other fees, seat fees, change fees, convenience fees, excess baggage fees, in flight sales, and other items and services.

Other revenue in 2012 is in respect of passengers on scheduled flights that were subsequently re-accommodated to flights by other airlines.

12.2 Staff costs

	2010 RM'000	2011 RM'000	2012 RM'000
Wages, salaries, bonuses and allowances	118,746	145,240	165,928
Defined contribution retirement plan	6,488	13,178	14,570
	125,234	158,418	180,498

Included in staff costs is Directors' remuneration which is analysed as follows:

	2010 RM'000	2011 RM'000	2012 RM'000
Non-executive Director			
Fees	-	100	120

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.3 Other operating expenses

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

	2010 RM'000	2011 RM'000	2012 RM'000
Rental of land and buildings	955	1,983	1,774
Auditors' remuneration:			
- Current year statutory audit	296	304	327
- Non-audit and audit related	-	-	936
- Under accrual in previous year	43	90	-
Rental of equipment	89	202	227
Net foreign exchange (gain)/loss on operations:			
- Realised	(9,558)	(14,299)	7,844
- Unrealised	3,974	(905)	4,639
Sponsorship expenses	9,061	5,537	1,245
Advertising expenses	33,032	60,755	43,262
Credit card charges	24,612	23,649	18,331
In-flight meal expenses	21,262	30,397	17,025
Insurance expenses	12,859	11,884	12,947
Penalty costs on early termination of contract	50,563	-	560
Penalty costs on charter contract	-	-	1,286
Impairment of receivables	-	421	1,545
Property, plant and equipment written-off	-	-	23

12.4 Other income

	2010 RM'000	2011 RM'000	2012 RM'000
Gain on disposal of property, plant and equipment	27,004	8,236	1,148
Commission income from insurance	3,079	2,799	3,492
Others	9,255	3,247	2,341
	39,338	14,282	6,981

Other income ('others') includes incentives received/receivable by the Group from certain airport authorities.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.5 Finance income/(costs)

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Finance income:			
Interest income:			
- Deposits with licensed bank	2,000	4,618	1,064
- Others	143	22	-
	2,143	4,640	1,064
Interest income on deposits for leased aircraft	-	1,362	812
	2,143	6,002	1,876
Finance costs:			
Interest expense on bank borrowings	(54,277)	(51,703)	(54,614)
Bank facilities and other charges	(796)	(542)	(1,824)
	(55,073)	(52,245)	(56,438)
Foreign exchange gains/(losses):			
Unrealised foreign exchange gains/(losses)on:			
- Borrowings	94,205	(29,413)	40,542
- Deposits and bank balances	4,644	(1,787)	2,909
	98,849	(31,200)	43,451
Realised foreign exchange gains on:			
- Borrowings	44,838	-	-
- Upliftment of fixed deposits	-	4,347	148
- Refinancing of loans	-	1,771	-
	44,838	6,118	148
Net foreign exchange gains/(losses)	143,687	(25,082)	43,599

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.6 Taxation

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Current taxation:			
- Malaysian taxation	536	1,161	(863)
- Foreign taxation	105	395	(37)
Deferred taxation	(49,288)	(36,361)	5,055
Total tax (credit)/expense	(48,647)	(34,805)	4,155
Current taxation:			
- Current financial year	641	12,833	319
- Over accrual in prior year	-	(11,277)	(1,219)
Total current tax	641	1,556	(900)
Deferred taxation (Note 12.8):			
- Origination and reversal of temporary differences	(49,288)	(36,361)	5,055
	(48,647)	(34,805)	4,155

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.6 Taxation (continued)

The explanation of the relationship between taxation and profit/(loss) before taxation is as follows:

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Profit/(loss) before taxation	97,955	(131,434)	38,005
Tax calculated at Malaysian tax rate of 25% (2011: 25%; 2010: 25%)	24,489	(32,859)	9,501
Tax effects of:			
- Tax incentives*	(66,160)	-	-
- Expenses not deductible for tax purposes	6,373	13,287	5,492
- Income not subject to tax	(35,818)	(3,956)	(9,619)
- Investment allowance clawed back on sale and leaseback of aircraft	22,469	-	-
- Over accrual in prior year	-	(11,277)	(1,219)
Taxation	(48,647)	(34,805)	4,155

* The Ministry of Finance has granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2009 to 31 August 2014, to be set off against 70% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.7 Property, plant and equipment

	At 1 January 2010 RM'000	Additions RM'000	Reclassi-fication RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2010 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	1,466,020	620,349	22	(553,691)	(94,502)	1,438,198
Aircraft spares	34,215	34,030	4,219	-	(6,146)	66,318
Aircraft fixtures and fittings	246	-	(22)	(206)	(18)	-
Motor vehicles	2,223	30	-	-	(523)	1,730
Office equipment, furniture and fittings	1,875	921	-	-	(602)	2,194
Assets not yet in operation	4,219	-	(4,219)	-	-	-
	1,508,798	655,330	-	(553,897)	(101,791)	1,508,440

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2010				
Aircraft engines, airframe and service potential	1,546,325	(79,080)	(29,047)	1,438,198
Aircraft spares	89,438	(12,492)	(10,628)	66,318
Motor vehicles	2,609	(879)	-	1,730
Office equipment, furniture and fittings	4,021	(1,417)	(410)	2,194
	1,642,393	(93,868)	(40,085)	1,508,440

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.7 Property, plant and equipment (continued)

	At 1 January 2011 RM'000	Additions RM'000	Depreciation charge RM'000	At 31 December 2011 RM'000
Group				
Net book value				
Aircraft engines, airframe and service potential	1,438,198	2,351	(94,669)	1,345,880
Aircraft spares	66,318	14,415	(8,713)	72,020
Motor vehicles	1,730	185	(536)	1,379
Office equipment, furniture and fittings	2,194	947	(919)	2,222
	1,508,440	17,898	(104,837)	1,421,501

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2011				
Aircraft engines, airframe and service potential	1,548,676	(173,749)	(29,047)	1,345,880
Aircraft spares	103,853	(21,205)	(10,628)	72,020
Motor vehicles	2,794	(1,415)	-	1,379
Office equipment, furniture and fittings	4,968	(2,336)	(410)	2,222
	1,660,291	(198,705)	(40,085)	1,421,501

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.7 Property, plant and equipment (continued)

Group	At 1 January 2012 RM'000	Additions RM'000	Written-off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Net book value						
Aircraft engines, airframe and service potential	1,345,880	1,462	-	-	(95,068)	1,252,274
Aircraft spares	72,020	35,470	-	(25,842)	(10,507)	71,141
Motor vehicles	1,379	-	-	-	(554)	825
Office equipment, furniture and fittings	2,222	357	(23)	(6)	(968)	1,582
	1,421,501	37,289	(23)	(25,848)	(107,097)	1,325,822

At 31 December 2012	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
Aircraft engines, airframe and service potential	1,550,138	(268,817)	(29,047)	1,252,274
Aircraft spares	113,481	(31,712)	(10,628)	71,141
Motor vehicles	2,793	(1,968)	-	825
Office equipment, furniture and fittings	5,188	(3,196)	(410)	1,582
	1,671,600	(305,693)	(40,085)	1,325,822

Included in property, plant and equipment of the Group are aircraft pledged as security for borrowings (Note 12.17) with a net book value of RM1,224 million (31.12.2011: RM1,313 million; 31.12.2010: RM1,412 million).

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

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

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.8 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.

	31.12.2010 (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
Deferred tax assets	203,534	239,895	234,840

The movements in deferred tax assets and liabilities during the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 are as follows:

	31.12.2010 (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
At beginning of financial year	154,246	203,534	239,895
(Charged)/credited to income statements (Note 12.6):			
- Property, plant and equipment	(13,401)	36,471	(7,868)
- Tax incentives	66,160	-	-
- Unrealised foreign exchange differences	-	-	785
- Tax losses	-	-	1,856
- Others	(3,471)	(110)	172
	49,288	36,361	(5,055)
At end of financial year	203,534	239,895	234,840
Deferred tax assets (before offsetting)			
- Tax incentives	184,391	184,391	184,391
- Tax losses	15,433	15,433	17,289
- Property, plant and equipment	3,710	40,181	32,313
- Unrealised foreign exchange differences	-	-	579
- Others	-	96	268
	203,534	240,101	234,840
Offsetting	-	(206)	-
Deferred tax assets (after offsetting)	203,534	239,895	234,840

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.8 Deferred tax assets (continued)

	31.12.2010 (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
Deferred tax liability (before offsetting)			
Unrealised foreign exchange differences	-	206	-
Offsetting	-	(206)	-
Deferred tax liability (after offsetting)	-	-	-

The deferred tax assets are recognised on the basis of the Group's projected future profits following the withdrawal of certain loss making routes during the financial year ended 31 December 2012 as disclosed in Note 12.24 (a) to this Report. The 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.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.9 Investments in subsidiaries

The details of the subsidiaries are as follows:-

Name	Country of incorporation	Group's effective equity interest 31.12.2010 %	31.12.2011 %	31.12.2012 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	100	100	100	Provision of management logistical and marketing services
AirAsia X NZ Ltd*	New Zealand	-	100	100	Provision of management logistical and marketing services
AAX Capital Ltd	Malaysia	100	100	100	Dormant
AAX Leasing I Limited	Malaysia	-	100	100	Engine leasing

* Not audited by PricewaterhouseCoopers, Malaysia.

12.10 Deposits on aircraft purchases

The deposits on aircraft purchases are denominated in US Dollar and are in respect of pre-delivery payments on aircraft purchases. Pre-delivery payments constitute instalments made in respect of the price of the aircraft and are deducted from the final price on delivery.

The deposits as at 31 December 2012 are in respect of aircraft purchase which will be delivered between April 2013 to May 2025.

During the financial year ended 31 December 2012, the Group capitalised borrowing costs amounting to RM10,551,000 (2011: RM4,013,000; 2010: RM8,909,064) on qualifying assets. Borrowing costs were capitalised at the rate of 4.62% (2011: 3.54%; 2010: 3.53%) per annum.

12.11 Other deposits

Other deposits include deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft. These deposits are denominated in US Dollar.

12.12 Inventories

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Beverages, consumables and in-flight merchandise	524	891	806

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.13 Receivables and prepayments

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Trade receivables	4,059	25,673	31,091
Other receivables	24,100	26,954	33,935
Prepayments	26,941	37,724	24,255
Deposits	44,074	29,821	42,394
	99,174	120,172	131,675
Less: Impairment of receivables	-	(421)	(889)
	99,174	119,751	130,786

The normal credit terms of the Group range from 15 to 30 days (2011 and 2010: 15 to 30 days).

Trade receivables that are neither past due nor impaired of RM8,477,000 (2011: RM19,226,000; 2010: RM Nil) are substantially companies with good collection track records.

As of 31 December 2012, trade receivables of RM22,418,000 (2011: RM6,263,000; 2010: RM4,059,000) of the Group were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables that are past due but not impaired is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Less than 30 days	57	1,272	3,184
Between 31 and 60 days	1,673	547	5,827
Between 61 and 90 days	2,329	540	10,717
Between 91 and 120 days	-	1,137	207
Between 121 and 180 days	-	2,641	2,241
More than 180 days	-	126	242
	4,059	6,263	22,418

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12.13 Receivables and prepayments (continued)

The carrying amounts of trade receivables individually determined to be impaired are as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
More than 180 days	-	184	196
Less: Impairment of receivables	-	(184)	(196)
	-	-	-

Other receivables that are neither past due nor impaired of RM25,454,000 (2011: RM15,618,000; 2010: RM Nil) for the Group are substantially companies with good collection track records.

As at 31 December 2012, other receivables for the Group of RM7,788,000 (2011: RM11,099,000; 2010: RM24,100,000) were past due. These debts relate to a number of external parties where there is no expectation of default. The ageing analysis of these other receivables that are past due but not impaired is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Less than 30 days	10,697	1,736	962
Between 31 and 60 days	890	1,028	1,324
Between 61 and 90 days	942	1,101	1,410
Between 91 and 120 days	8,313	1,041	1,491
Between 121 and 180 days	666	2,714	1,475
More than 180 days	2,592	3,479	1,126
	24,100	11,099	7,788

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.13 Receivables and prepayments (continued)

The carrying amounts of other receivables individually determined to be impaired are as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
More than 180 days	-	237	693
Less: Impairment of receivables	-	(237)	(693)
	-	-	-

The individually impaired trade and other 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.

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

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	458	23,543	17,166
US Dollar	58,091	34,166	75,333
Australian Dollar	9,135	11,893	9,008
Euro	9	2,757	666
Indian Rupee	3,675	3,811	1,547
New Zealand Dollar	677	3,309	94
Others	188	2,548	2,717
	72,233	82,027	106,531

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.13 Receivables and prepayments (continued)

Deposits of the Group at the balance sheet date are with a number of external parties where there is no expectation of default. Deposits include amounts paid as security deposits for maintenance for certain aircraft.

Other receivables include refunds of value-added tax receivable from the authorities in various countries in which the Group operates.

Prepayments include advances for purchases of fuel and lease of aircraft.

The carrying amounts of the Group's trade and other receivables approximate their fair values.

12.14 Amounts due from/(to) related parties

The amounts due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group range from 15 to 30 days (2011 and 2010: 15 to 30 days).

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Amounts due from related parties	45,032	10,814	15,738
Amounts due to related parties	-	-	(5,929)

The currency profile of amounts due from related parties is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	23,754	46,371	22,359
Australian Dollar	(499)	(36,538)	(6,646)
Taiwan Dollar	384	374	-
Pound Sterling	-	293	-
US Dollar	21,390	139	25
Others	3	175	-
	45,032	10,814	15,738

Amounts due from related parties that are neither past due nor impaired amounted to RM11,173,000 (2011: RM10,087,000, 2010: RM Nil) for the Group.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.14 Amounts due from related parties (continued)

The ageing analysis of amounts due from related parties that are past due but not impaired is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Less than 30 days	34,189	112	3,712
Between 31 and 60 days	2,269	34	-
Between 61 and 90 days	6,066	-	95
Between 91 and 120 days	1,567	-	52
Between 121 and 180 days	82	71	706
Between 181 and 270 days	486	510	-
Between 271 days and 1 year	373	-	-
	45,032	727	4,565

The maximum exposure to credit risk as at the balance sheet date is the carrying value of the amounts due from related parties mentioned above. The Group does not hold any collateral as security.

The Group has not made any impairment on these balances as management is of the view that these amounts are recoverable as there is no history of default.

The carrying amounts of the Group's amounts due to related parties approximate their fair values.

The currency profile of amounts due to related parties is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	-	-	4,667
US Dollar	-	-	1,262
	-	-	5,929

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.15 Deposits, cash and bank balances

For the purpose of statements of cash flows, cash and cash equivalents include the following:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Cash and bank balances	106,434	44,740	113,553
Deposits with licensed banks	249,802	69,240	60,398
	356,236	113,980	173,951
Less: Restricted cash	(7,413)	-	-
Cash and cash equivalents	348,823	113,980	173,951

The currency profile of deposits, cash and bank balances is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	201,867	78,023	51,099
US Dollar	40,791	10,035	43,247
Australian Dollar	109,210	10,814	62,756
Taiwan Dollar	965	1,103	1,294
Pound Sterling	1,536	6,451	722
Chinese Renminbi	711	465	355
Japanese Yen	467	1,801	8,049
Korean Won	339	773	2,675
New Zealand Dollar	-	2,144	1,071
Euro	113	2,198	662
Others	237	173	2,021
	356,236	113,980	173,951

The Group's weighted average effective interest rates of deposits as at the reporting date is 3.06% (2011: 2.75%; 2010: 2.75%) per annum.

Restricted cash was in relation to a Facility Services Reserve Account pledged for the Group's syndicated loan as at 31 December 2010.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.16 Trade and other payables

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Trade payables	52,444	101,679	170,164
Other payables and accruals	58,687	56,954	83,840
	111,131	158,633	254,004

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

The credit term of trade payables granted to the Group is 30 days (2011 and 2010: 30 days).

The currency profile of trade and other payables is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	27,268	52,193	98,513
US Dollar	34,501	34,491	68,496
Australian Dollar	19,380	27,560	47,090
Euro	9,398	14,511	7,335
Taiwan Dollar	2,731	3,188	4,982
Pound Sterling	6,811	9,029	735
Japanese Yen	1,414	1,944	14,719
Korean Won	2,207	1,098	4,875
Chinese Renminbi	5,344	6,114	4,624
New Zealand Dollar	-	4,791	286
Others	2,077	3,714	2,349
	111,131	158,633	254,004

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Current:			
Revolving credit (unsecured)	-	120,039	351,705
Term loans (secured)	100,889	103,512	100,027
Time loan (secured)	-	-	48,000
Commodity Murabahah Term Financing (unsecured)	-	30,000	21,313
Syndicated loan (secured)	24,646	-	-
	125,535	253,551	521,045
Non-current:			
Revolving credit (unsecured)	104,595	135,076	131,875
Term loans (secured)	947,013	868,607	739,336
Commodity Murabahah Term Financing (unsecured)	-	21,313	-
Syndicated loan (secured)	46,109	-	-
	1,097,717	1,024,996	871,211
Total borrowings	1,223,252	1,278,547	1,392,256

	Weighted average rate of finance		
	31.12.2010 %	31.12.2011 %	31.12.2012 %
Revolving credit (unsecured)	3.65	4.91	5.23
Term loans (secured)	4.51	4.42	4.45
Time loan (secured)	-	-	4.77
Commodity Murabahah Term Financing (unsecured)	-	6.75	6.75
Syndicated loan (secured)	4.29	-	-

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings (continued)

The Group's borrowings are repayable as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Not later than 1 year	125,535	253,551	521,045
Later than 1 year and not later than 5 years	554,260	570,436	531,982
Later than 5 years	543,457	454,560	339,229
	1,223,252	1,278,547	1,392,256

The currency profile of borrowings is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	-	91,313	309,309
US Dollar	1,223,252	1,187,234	1,082,947
	1,223,252	1,278,547	1,392,256

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings (continued)

The fair value of the borrowings is as follows:

	Carrying amount			Fair value		
	31.12.2010	31.12.2011	31.12.2012	31.12.2010	31.12.2011	31.12.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	104,595	255,115	483,580	100,911	242,153	472,857
Term loans	1,047,902	972,119	839,363	922,569	827,726	718,207
Time loan	-	-	48,000	-	-	48,000
Syndicated loan	70,755	-	-	67,820	-	-
Commodity Murabahah Term Financing	-	51,313	21,313	-	49,965	21,313
	1,223,252	1,278,547	1,392,256	1,091,300	1,119,844	1,260,377

Revolving credit facilities

The revolving credit facility of RM243,584,000 as at 31 December 2012 (2011: RM215,115,000; 2010: RM104,595,000) is to finance the pre-delivery payments ("PDPs") in respect of the Group's firm order of 15 Airbus A330-300 aircraft, with an option to acquire an additional 10 Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft, and carries interest at 3.00% (2011 and 2010: 3.00%) per annum above the bank's USD cost of funds.

The revolving credit facility of RM40,000,000 as at 31 December 2012 (2011: RM40,000,000, 2010: RM Nil) is to finance the Group's corporate working capital requirements. The tenure of this facility is up to 5 years. This facility carries an interest at cost of funds plus 3.00% (2011: 3.00%, 2010: Nil) per annum.

The revolving credit facility of RM100,000,000 as at 31 December 2012 (2011 and 2010: RM Nil) is to finance the Group's corporate working capital requirements. This facility will mature on 30 June 2013 and carries an interest at cost of funds plus 3.25% (2011 and 2010: Nil) per annum.

The revolving credit facility of RM99,996,000 as at 31 December 2012 (2011 and 2010: RM Nil) is to finance the Group's corporate working capital requirements. This facility will mature in October 2013 and carries an interest at cost of funds plus 1.50% (2011 and 2010: Nil) per annum.

As at 31 December 2012, the Group has access to unutilised revolving credit facilities of RM75.9 million (2011:RM63.8 million; 2010:RM185.6 million).

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12.0 **Notes to the Consolidated Financial Statements of AirAsia X Group (continued)**

12.17 Borrowings (continued)

Term loans

The term loans are for the purchase of new Airbus A330-300 aircraft.

The repayment of the term loans is on a quarterly basis over 12 years, with equal principal instalments, at fixed interest rates of between 2.82% and 5.45% per annum. The term loans are secured by the following:

(a) Assignment of rights under contract with Airbus SAS over each aircraft;

(b) Assignment of insurance of each aircraft; and

(c) Assignment of airframe and engine warranties of each aircraft.

Time loan

The time loan is to finance the Group's security deposits for aircraft operating leases and general corporate working capital requirements. This facility will mature on 29 September 2013 and carries an interest at cost of funds plus 1.50% (2011 and 2010: Nil) per annum.

Commodity Murabahah Term Financing

This is to re-finance the outstanding balance of up to USD18.75 million (or approximately up to RM 60 million) on an existing USD25 million (or approximately RM80 million) syndicated facility from two lenders (syndicated loan). This facility will mature on 19 September 2013 and carries a profit rate at cost of funds plus 3.25% per annum. The financing facility is secured by the following:

(a) Fixed charge over fixed deposit receipts equivalent to 12 months profit payment or RM4.08 million under the facility, whichever is higher; and

(b) First fixed charge over the Islamic Ringgit Malaysia denominated revenue account of the Company, to be maintained with the bank ("Revenue Account"). The revenue proceeds in the Revenue Account shall be available for withdrawal by the Group, subject to no event of default on the facility.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings (continued)

Syndicated loan

The syndicated loan was to part finance the purchase of new Airbus A330-300. The repayment of the syndicated loan is on 11 quarterly installments, with equal principal installments, whereby the rate of interest on each loan for each interest period is the annual percentage rate comprising the aggregate of margin and LIBOR. The syndicated loan is secured by the following:

(a) Charge over the Company's collections to the "Collection Account"; and

(b) Transfer from Collection Accounts to a Facility Services Reserve Account ("FSRA") commencing from the loan drawndown date throughout the facility period.

The syndicated loan was fully settled in September 2011.

Note
Collection Account: Bank account which is designated for the purposes of the finance documents.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.18 Share capital

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Authorised:			
Ordinary shares of RM1.00 each:			
At beginning of the financial year	170,000	270,000	270,000
Created during the financial year	100,000	-	-
At end of financial year	270,000	270,000	270,000
Redeemable Convertible Preference Shares ("RCPS") of RM1.00 each:			
At beginning of financial year	30,000	50,000	50,000
Created during the financial year	20,000	-	-
At end of financial year	50,000	50,000	50,000
Total authorised	320,000	320,000	320,000
Issued and fully paid-up:			
Ordinary shares of RM1.00 each:			
At beginning of the financial year	140,000	224,000	224,000
Issued during the financial year	84,000	-	-
At end of financial year	224,000	224,000	224,000
RCPS of RM1.00 each:			
At beginning of the financial year	26,667	42,667	42,667
Issued during the financial year	16,000	-	-
At end of financial year	42,667	42,667	42,667
Total issued and fully paid-up	266,667	266,667	266,667

During the financial year ended 31 December 2010, the Company increased its authorised share capital from RM200,000,000 to RM320,000,000 by way of the creation of 100,000,000 ordinary shares of RM1.00 each and 20,000,000 of RCPS of RM1.00 each. The Company also increased its issued and fully paid up share capital from RM166,666,667 to RM266,666,667 by way of the issuance of 84,000,000 ordinary shares of RM1.00 each for cash at par and 16,000,000 RCPS of RM1.00 each for cash at par.

The new ordinary shares issued during the financial year ended 31 December 2010 ranked pari passu in all material respects with the existing ordinary shares of the Company.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.18 Share capital (continued)

The terms of the RCPS are as follows:

(a) The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all of its RCPS into ordinary shares of RM1.00 each in the capital of the Company upon receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

(b) The RCPS has the same entitlement to dividend and all other forms of distributions out of income of the Company at the same rate as that of ordinary shares.

(c) The RCPS can be redeemed in part or in whole at the Company's option at any time, but only with prior written approval of the holder and redemption can only be effected at par value.

12.19 Commitments

(a) Capital commitments not provided for in the financial statements are as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Aircraft purchases - approved and contracted for:			
- Not later than 1 year	-	1,322,190	2,123,231
- Later than 1 year and not later than 3 years	3,177,655	5,172,134	7,077,438
- Later than 3 years and not later than 5 years	6,298,500	5,818,651	3,538,718
- Later than 5 years	11,723,238	9,447,385	8,504,563
	21,199,393	21,760,360	21,243,950

Included in the amount of capital commitments above as at 31 December 2012 is the purchase of 18 Airbus A330 aircraft and 10 Airbus A350 aircraft (2011: 20 Airbus A330 and 10 Airbus A350 aircraft; 2010: 20 Airbus A330 and 10 Airbus A350 aircraft) over the next 13 years, at a list price of approximately USD6.9 billion (RM21.2 billion) (2011: USD6.9 billion (RM21.8 billion); 2010: USD6.9 billion (RM21.2 billion), less a negotiated discount.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.19 Commitments (continued)

(b) Non-cancellable operating leases

The future minimum lease payments under non-cancellable operating leases in respect of aircraft is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Not later than 1 year	153,491	168,342	193,642
Later than 1 year and not later than 3 years	291,631	296,061	551,910
Later than 3 years and not later than 5 years	242,214	176,384	476,365
Later than 5 years	92,582	30,733	1,242,194
	779,918	671,520	2,464,111

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.20 Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on agreed terms and conditions.

Names of Companies	Country of incorporation	Relationship
AirAsia Berhad ("AAB")	Malaysia	Related party (shareholder of the Company, and common Directors and shareholders)
Asian Aviation Centre of Excellence Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
1Malaysia Racing Team Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
Queens Park Rangers Football Club ("QPR")	United Kingdom	Related party (common Directors and shareholders)
Malaysian Airlines System Berhad ("MAS") *	Malaysia	Related party (common Directors and shareholders)
Thai AirAsia Co. Ltd ("TAA")	Thailand	Related party (common Directors and shareholders)
PT Indonesia AirAsia ("IAA")	Indonesia	Related party (common Directors and shareholders)
AirAsia Japan Co.Ltd ("JAA")	Japan	Related party (common Directors and shareholders)
AirAsia Inc ("PAA")	Philippines	Related party (common Directors and shareholders)
Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad)	Malaysia	Related party (common Directors and shareholders)
Tune Box Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
Asian Contact Centres Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
AAE Travel Pte Ltd	Malaysia	Related party (common Directors and shareholders)
AirAsia X Services Pty Ltd	Australia	Subsidiary
AirAsia X NZ Ltd	New Zealand	Subsidiary

* Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun were Directors and indirect major shareholders of MAS (via Tune Air Sdn Bhd) at the relevant time when the transaction terms as disclosed in Note 12.20(a)* were agreed upon. They ceased to be Directors and indirect major shareholders of MAS as of April 2012 and May 2012 respectively.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.20 Significant related party transactions (continued)

		Financial years ended		
		31.12.2010	31.12.2011	31.12.2012
		RM'000	RM'000	RM'000
	Transactions with related parties			
(a)	Recharges			
	AirAsia Berhad:			
	- Operational services charged by AAB	85,845	35,833	5,461
	- Brand license fee charged by AAB	-	19,299	7,749
	- Provision of carried passenger services which were procured by AAB	-	-	(8,827)
	Queens Park Rangers Football Club			
	- Sponsorship expenses	-	989	-
	1Malaysia Racing Team Sdn Bhd			
	- Sponsorship expenses	-	1,876	-
	Malaysia Airlines System Berhad *			
	- Re-accommodation and upliftment of flights charged by MAS	-	-	42,413
	PT Indonesia AirAsia			
	- Operational services charged to IAA	(245)	(364)	(364)
	Thai AirAsia Co. Ltd.			
	- Operational services charged to TAA	(542)	(363)	(132)
	Tune Box Sdn Bhd			
	- In-flight entertainment system and software expense	-	-	2,336
	Asian Aviation Centre of Excellence Sdn Bhd			
	- Net expense on training services	-	1,215	2,778
	Asian Contact Centres Sdn Bhd			
	- Telecommunication and operational expenses	2,026	9,193	11,189
	Tune Insurance Malaysia Berhad ("TIMB")			
	- Commission received/receivable on travel insurance for passengers	-	-	(623)
	- Premium collected on behalf of TIMB on travel insurance for passengers	-	-	2,491
	AirAsia Japan Co. Ltd			
	- Operational services charged to JAA	-	-	(316)

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The Board of Directors
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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.20 Significant related party transactions (continued)

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Year end balances with related parties			
(b) Receivables			
1Malaysia Racing Team Sdn Bhd	363	-	-
Thai AirAsia Co. Ltd. (TAA)	802	766	14
PT Indonesia AirAsia (IAA)	8	14	44
AirAsia Berhad	43,859	10,034	15,474
AAE Travel Pte Ltd	-	-	39
AirAsia Japan Co. Ltd (JAA)	-	-	157
AirAsia Inc (PAA)	-	-	10
	45,032	10,814	15,738
(c) Payables			
Asian Aviation Centre of Excellence Sdn Bhd	-	-	1,317
Asian Contact Centres Sdn Bhd	-	-	2,557
Tune Box Sdn Bhd	-	-	186
Tune Insurance Malaysia Berhad	-	-	1,869
	-	-	5,929

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed below.

	Financial years ended		
	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Key management compensation:			
- Basic salaries, bonuses and allowances	3,399	3,837	4,810
- Defined contribution plan	386	502	545
	3,785	4,339	5,355

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information

Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions by the Group's Chief Executive Officer ("CEO") who is identified as the chief operating decision maker.

The Group's CEO considers the business from a geographic perspective. The following reportable operating segments have been identified - North Asia, Australia, Middle East, West Asia, Europe, India and New Zealand.

The reportable operating segments derive their revenue primarily from the Group's activities of provision of long haul air transportation services to these locations.

Consistent with information provided to the chief operating decision maker, revenue and certain direct costs (fuel and oil and maintenance, overhaul and user charges) were extracted on actual earned/incurred basis and disclosed accordingly in the operating segment results for the financial years ended 31 December 2011 and 31 December 2012 respectively. All other costs are allocated to the various segments based on "block hours". Block hours are defined as the time between the departure of an aircraft and its destination, as recorded in the aircraft flight log.

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The Board of Directors
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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows:

31 December 2012	North Asia RM'000	Australia RM'000	Middle East RM'000	West Asia RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
External revenue								
- Scheduled flights	611,891	487,950	53,497	23,236	55,417	17,062	34,524	1,283,577
- Refunds	(377)	(178)	(101)	(2)	(575)	(347)	(219)	(1,799)
	611,514	487,772	53,396	23,234	54,842	16,715	34,305	1,281,778
- Charter flights	1,134	-	66,714	-	-	-	-	67,848
- Fuel surcharge	54,091	82,036	-	-	5,306	2,655	4,138	148,226
- Freight and cargo	47,980	22,985	902	-	5,456	1,273	671	79,267
- Ancillary revenue	162,967	163,464	6,708	2,171	13,689	5,933	9,002	363,934
- Management fees	172	142	16	5	14	5	10	364
- Other revenue	-	-	-	-	24,015	1,995	-	26,010
	877,858	756,399	127,736	25,410	103,322	28,576	48,126	1,967,427
Operating expenses								
- Staff costs	(67,580)	(55,105)	(14,038)	(1,833)	(8,189)	(2,372)	(4,672)	(153,789)
- Fuel and oil	(421,808)	(344,271)	(31,823)	(10,096)	(69,974)	(15,076)	(32,246)	(925,294)
- Maintenance, overhaul and user charges	(124,579)	(98,887)	(10,029)	(3,308)	(13,023)	(1,754)	(7,431)	(259,011)
- Meals and merchandise	(10,215)	(10,003)	(291)	(285)	(1,689)	(474)	(1,159)	(24,116)
- Sales and distribution	(16,229)	(13,123)	(1,586)	(442)	(1,872)	(558)	(1,095)	(34,905)
- Aircraft operating lease expenses	(56,120)	(45,067)	(12,068)	(1,398)	(31,236)	(2,261)	(4,258)	(152,408)
- Ramp and other operating costs	(46,540)	(26,359)	(5,373)	(325)	(40,720)	(6,342)	(1,546)	(127,205)
Gross profit/(loss)	134,787	163,584	52,528	7,723	(63,381)	(261)	(4,281)	290,699
Other operating expenses	(45,180)	(71,546)	(8,724)	(1,183)	(2,516)	(1,835)	(3,650)	(134,634)
EBITDAR	145,727	137,105	55,872	7,938	(34,661)	165	(3,673)	308,473
EBITDA	89,607	92,038	43,804	6,540	(65,897)	(2,096)	(7,931)	156,065

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The Board of Directors
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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2012 (continued)	North Asia RM'000	Australia RM'000	Middle East RM'000	West Asia RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
Depreciation of property, plant and equipment	(50,264)	(40,378)	(6,693)	(1,276)	(2,664)	(1,997)	(3,825)	(107,097)
EBIT	39,343	51,660	37,111	5,264	(68,561)	(4,093)	(11,756)	48,968
Interest income	887	744	74	35	77	24	35	1,876
Interest expense and finance charges	(27,376)	(22,349)	(2,544)	(638)	-	(1,062)	(2,469)	(56,438)
Foreign exchange gains	20,034	16,183	2,017	520	2,602	768	1,475	43,599
Profit/(loss) before taxation	32,888	46,238	36,658	5,181	(65,882)	(4,363)	(12,715)	38,005
Taxation								(4,155)
Net profit for the financial year								33,850

The Board of Directors
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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2011	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
External revenue:							
- Scheduled flights	457,109	466,874	53,003	272,527	101,577	59,289	1,410,379
- Refunds	(198)	(178)	(6)	(97)	(121)	(15)	(615)
	456,911	466,696	52,997	272,430	101,456	59,274	1,409,764
- Charter flights	1,702	-	2,516	-	-	-	4,218
- Fuel surcharge	12,240	17,887	-	5,697	6,257	2,346	44,427
- Freight and cargo	42,478	12,255	-	25,255	15,662	821	96,471
- Ancillary revenue	101,098	109,712	1,137	47,951	31,181	16,058	307,137
- Management fees	114	94	18	79	35	24	364
	614,543	606,644	56,668	351,412	154,591	78,523	1,862,381
Operating expenses:							
- Staff costs	(44,807)	(38,105)	(5,782)	(28,825)	(13,598)	(7,856)	(138,973)
- Fuel and oil	(312,673)	(270,842)	(22,849)	(261,032)	(93,379)	(57,653)	(1,018,428)
- Maintenance, overhaul and user charges	(72,935)	(63,980)	(5,401)	(52,330)	(25,183)	(10,824)	(230,653)
- Meals and merchandise	(10,681)	(15,436)	(1)	(7,711)	(3,167)	(2,643)	(39,639)
- Sales and distribution	(12,597)	(10,662)	(1,615)	(8,093)	(3,823)	(2,180)	(38,970)
- Aircraft operating lease expenses	(46,492)	(39,582)	(6,012)	(31,445)	(14,145)	(8,127)	(145,803)
- Ramp and other operating costs	(31,836)	(19,654)	(1,046)	(18,348)	(7,029)	(3,467)	(81,380)
Gross profit/(loss)	82,522	148,383	13,962	(56,372)	(5,733)	(14,227)	168,535
Other operating expenses	(32,224)	(37,194)	(4,010)	(30,454)	(10,237)	(9,688)	(123,807)
EBITDAR	96,790	150,771	15,964	(55,381)	(1,825)	(15,788)	190,531
EBITDA	50,298	111,189	9,952	(86,826)	(15,970)	(23,915)	44,728

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2011 (continued)	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
Depreciation of property, plant and equipment	(41,348)	(35,330)	(5,331)	(2,953)	(12,616)	(7,259)	(104,837)
EBIT	8,950	75,859	4,621	(89,779)	(28,586)	(31,174)	(60,109)
Interest income	1,938	1,745	234	1,261	590	234	6,002
Interest expense and finance charges	(21,366)	(18,336)	(2,803)	555	(6,507)	(3,788)	(52,245)
Foreign exchange gains/(losses)							
- unrealised	(9,857)	(5,983)	(1,869)	(6,313)	(3,085)	(4,093)	(31,200)
- realised	4,209	(2,110)	84	1,556	1,063	1,316	6,118
(Loss)/profit before taxation	(16,126)	51,175	267	(92,720)	(36,525)	(37,505)	(131,434)
Taxation							34,805
Net loss for the financial year							(96,629)

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2010	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	Total RM'000
External revenue						
- Scheduled flights	309,030	426,025	26,983	186,558	45,474	994,070
- Refunds	(1,848)	(2,646)	(164)	(1,348)	(394)	(6,400)
	307,182	423,379	26,819	185,210	45,080	987,670
- Charter flights	-	-	8,648	-	-	8,648
- Fuel surcharge	-	-	-	2	-	2
- Freight and cargo	15,873	22,727	1,409	11,577	3,380	54,966
- Ancillary revenue	68,635	98,271	6,092	50,057	14,613	237,668
- Management fees	42	61	4	31	10	148
	391,732	544,438	42,972	246,877	63,083	1,289,102
Operating expenses						
- Staff costs	(32,667)	(46,773)	(2,900)	(23,825)	(6,956)	(113,121)
- Fuel and oil	(172,653)	(247,209)	(15,327)	(125,922)	(36,764)	(597,875)
- Maintenance, overhaul and user charges	(66,186)	(94,765)	(5,875)	(48,271)	(14,093)	(229,190)
- Meals and merchandise	(3,674)	(5,260)	(326)	(2,679)	(782)	(12,721)
- Sales and distribution	(3,611)	(5,171)	(321)	(2,634)	(769)	(12,506)
- Aircraft operating lease expenses	(21,462)	(30,730)	(1,905)	(15,653)	(4,570)	(74,320)
- Ramp and other operating costs	(24,823)	(35,543)	(2,204)	(18,105)	(5,286)	(85,961)
Gross profit/(loss)	66,656	78,987	14,114	9,788	(6,137)	163,408
Other operating expenses	(15,712)	(22,502)	(1,397)	(11,461)	(3,347)	(54,419)
EBITDAR	72,406	87,215	14,622	13,980	(4,914)	183,309
EBITDA	50,944	56,485	12,717	(1,673)	(9,484)	108,989

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2010	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	Total RM'000
Depreciation of property, plant and equipment	(29,396)	(42,088)	(2,609)	(21,439)	(6,259)	(101,791)
EBIT	21,548	14,397	10,108	(23,112)	(15,743)	7,198
Interest income	619	886	55	451	132	2,143
Interest expense and finance charges	(15,904)	(22,771)	(1,412)	(11,600)	(3,386)	(55,073)
Foreign exchange gain						
- unrealised	28,547	40,872	2,534	20,818	6,078	98,849
- realised	12,949	18,539	1,149	9,444	2,757	44,838
Profit/(loss) before taxation	47,759	51,923	12,434	(3,999)	(10,162)	97,955
Taxation						48,647
Net profit for the financial year						146,602

Note:

EBITDAR – Earnings before interest, taxes, depreciation, amortisation and restructuring or rent costs
EBITDA – Earnings before interest, taxes, depreciation and amortisation
EBIT – Earnings before interest and taxes

All material non-current assets are based in Malaysia at the end of the current and previous financial year end.

The Group has not disclosed information relating to revenue from external customers which are attributed to the country of domicile and which are attributable to all foreign countries in total from which the Group derives revenue. Due to the nature of activities in the Group, the necessary information is not available and the cost to develop it would be excessive.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.22 Earnings/(loss) per share

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the financial year by the weighted average number of ordinary/preference shares in issue during the financial year.

	2010 RM'000	2011 RM'000	2012 RM'000
Net profit/(loss) for the financial year (RM'000)	146,602	(96,629)	33,850
Weighted average number of ordinary/ preference shares in issue ('000)	235,708	266,667	266,667
Earnings/(loss) per share (sen)	62.2	(36.2)	12.7

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share of the Group is similar to the basic earnings/(loss) per share as the Group does not have any potential dilutive ordinary/preference shares in issue.

12.23 Ultimate holding company

The Directors regard Aero Ventures Sdn Bhd, a company incorporated in Malaysia, as the immediate and ultimate holding company.

12.24 Significant events during the financial year ended 31 December 2012 is as follows:

(a) During the financial year, the Board of Directors of the Company decided and announced the withdrawal of routes to five destinations which include Mumbai (ceased in February 2012), New Delhi, Paris and London (ceased in March 2012), and Christchurch (ceased in May 2012). The Board of Directors of the Company also decided and announced the suspension of flights to Tehran with effect from October 2012.

(b) During the financial year, the Company terminated a commitment to purchase two A330-200 aircraft, which were scheduled to be delivered in July 2012 and November 2012 respectively, namely Aircraft No. 9 and No. 10, whereby Airbus has disposed of the aircraft to third parties. There was no penalty levied on the Company arising from the terminations.

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The Board of Directors
AirAsia X Berhad
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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.25 Subsequent events

(a) On 29 October 2012, the Company submitted the exposure draft of its prospectus in relation to the initial public offering ("IPO") of its shares in conjunction with the listing of and quotation for the entire ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. The proposed listing was approved by the Securities Commission on 7 May 2013. The IPO exercise is anticipated to be completed within the financial year ending 31 December 2013.

(b) On 12 March 2013, THAI AAX Co., Ltd ("THAI AAX") was incorporated as a limited company in Thailand. The initial share capital of THAI AAX is THB15.00, comprising 3 ordinary shares of THB5.00 each. The Company holds 33.3% of the ordinary shares in THAI AAX, which is currently dormant.

(c) On 16 April 2013, the Company procured the issuance of a standby letter of credit ("SBLC") for up to USD6.0 million (or approximately RM18.2 million) to provide maintenance reserves deposit as required under the finance lease for its acquisition of a new Airbus A330-300 in April 2013. This SBLC is secured by a first fixed charged over credit balances of its account in London maintained with the SBLC provider, where an amount equal to 50% of the facility amount has been deposited.

(d) On 18 April 2013, the Company obtained an additional term loan amounting to USD80.0 million (or RM242.7 million equivalent) to finance the acquisition of an Airbus A330-300. The repayment of this term loan is on a quarterly basis over 10 years, with equal principal instalments, at interest rate of LIBOR + 3.75% per annum. In connection with the USD80.0 million financing, the Company had on 17 April 2013 entered into a USD : RM cross currency interest rate swap with a financial institution in respect of the principal repayment of the USD72.5 million (or approximately RM219.9 million) senior tranche of this loan ("Swap Facility").

Under the Swap Facility, the Company converted the loan whereby:

(i) The USD principal repayment of USD72.5 million throughout the entire tenor of 10 years will be paid in RM at an exchange rate of USD1.00 : RM3.0260; and
(ii) The USD interest of 3-month London Interbank Offered Rate (LIBOR) plus 3.75% will be paid at a RM fixed interest rate of 7.03% per annum for the entire tenor of the loan.

(e) On 22 April 2013, the Company took delivery of an Airbus A330-300 aircraft which was acquired under a finance lease. The acquisition was financed via a term loan as disclosed in Note 12.25(d) of this Report. The aircraft commenced operations on 26 April 2013. On 3 May 2013, the Company also took delivery of another Airbus A330-300 aircraft under operating lease, which is scheduled to commence operations in July 2013.

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The Board of Directors
AirAsia X Berhad
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24 May 2013

12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.25 Subsequent events (continued)

(f) In addition to the disclosures in Note 9.0(d) of this Report, on 2 May 2013 and 17 May 2013 respectively, two lenders confirmed that further to the indulgence they had previously granted to the Group for non-compliances with financial ratios as at 31 December 2012, they have also irrevocably waived the right to exercise the remedies they may have as a result of these non-compliances until 31 July 2013.

(g) On 10 May 2013, AirAsia Berhad converted all of its outstanding 42,666,667 RCPS of RM1.00 each in the Company, on a one-to-one basis, into 42,666,667 new ordinary shares of RM1.00 each in the Company, without consideration.

(h) On 13 May 2013, the Company completed the subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company. On that same date, the Company increased its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 shares of RM0.15 each in the Company.

(i) On 10 April 2013, the Company accepted an additional short-term revolving credit facility for up to USD43.2 million (approximately RM131.0 million) to part finance, at an 80% margin of advance, the pre-delivery payments in respect of its firm order of 5 Airbus A330-300 aircraft, which are scheduled to be delivered between August 2014 and May 2016. On 21 May 2013, the Company had drawndown USD12.8 million (approximately RM38.5 million) of this facility. This facility carried interest at 3.25% per annum above the bank's USD cost of funds. The tenure of the facility shall commence from the date of first drawdown and shall expire in June 2016 or upon delivery of the fifth aircraft, whichever is the earlier.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur

14. DIRECTORS' REPORT

Registered Office:
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

Date: 28 MAY 2013

The Shareholders of
AirAsia X Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of AirAsia X Berhad ("**AirAsia X**"), I wish to report after due inquiry by the Board of Directors of AirAsia X that during the period from 31 December 2012 (being the date which the last audited financial statements of AirAsia X and its subsidiaries (collectively, the "**Group**") have been made up to) to the date of this letter (being a date not earlier than 14 days before the issue of this Prospectus), that:

(a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;

(e) there has been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in respect of any borrowings by AirAsia X or any of its subsidiaries; and

(f) there has been, since the last audited financial statements of the Group, no material change in the published reserves or any unusual factor affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors of
AIRASIA X BERHAD

Dato' Fam Lee Ee
Director

AirAsia X Berhad (734161-K)
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Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia
Our Office: +603 8660 4600 Our Fax: +603 8660 4777
airasia.com

15. STATUTORY AND OTHER GENERAL INFORMATION

15.1 Share Capital

15.1.1 Save as disclosed in this Prospectus, no securities will be allotted or issued or offered on the basis of this Prospectus later than 12 months after the date of this issue of this Prospectus.

15.1.2 There is no founder, management or deferred share in our Company. As at the date of this Prospectus, our Company had one class of shares, namely ordinary shares of RM0.15 each, all of which rank *pari passu* with one another.

15.1.3 Save as disclosed in Sections 4.3 and 6.2.2 of this Prospectus, no shares, stocks or debentures of our Group had been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within the 2 years preceding the date of this Prospectus.

15.1.4 Save for the Proposed Initial Grant as disclosed under Section 4.5 of this Prospectus, none of the share capital of our Company or any of our subsidiaries was under option, or agreed conditionally or unconditionally to be put under option as at the LPD.

15.1.5 Save for the Issue Shares reserved for the Eligible Persons as disclosed in Section 4.3.4 of this Prospectus, subject to our Listing and our ESOS as disclosed in Section 4.5 of this Prospectus, there is currently no other scheme involving our employees and Directors in our capital.

15.1.6 Our Company did not have any outstanding convertible debt security as at the date of this Prospectus.

15.1.7 Save as disclosed in Sections 4.3.9 and 15.3 of this Prospectus, there is no other limitation on the right to own securities, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on such securities, which is imposed by Malaysian law or by the constituent documents of our Company.

15.2 Extracts of Our Articles

The following is extracted from our Articles and is qualified in its entirety by the remainder of the provisions of our Articles and by applicable law.

15.2.1 Changes in Capital and Variation of Rights

The provisions of our Articles of Association dealing with changes in capital and variations of rights, which are in accordance with the requirements and no less stringent than required under the law, are as follows:

"13. <u>Variation of class rights</u>

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Sections 55 and 65 of the Act and whether or not the Company is being wound up) be varied or abrogated with:

(1) the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class; or

(2) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the issued shares of the class (but so that if at any adjourned meeting of such holders, a quorum is not present, the holders present, shall form a quorum), and any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply.

14. New issue of Securities

All new issues of Securities for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons with such Securities save and except where the Company is specifically exempted from complying with Section 38 of the Central Depositories Act, in which event it shall be so similarly be exempted from compliance with this Article. For this purpose, the Company shall notify the Depository of the names of the allottees or entitled persons and all such particulars as may be required by the Depository to enable the Depository to make the appropriate entries in the Securities Accounts of such allottees or entitled persons. Notwithstanding these Articles, the Company shall comply with the provisions of the Central Depositories Act, the Rules and the Regulations in all matters relating to prescribed Securities. Prior to the initial application for the listing of the ordinary shares in the Company on the Bursa Malaysia, all new ordinary shares in the Company shall be issued as a Non-Deposited Security and the provisions in these Articles relating to Non-Deposited Security shall apply.

15. No deemed variation

Subject to Section 65 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking in any respect *pari passu* with that class.

16. Issue of shares

Subject to the Act, the Listing Requirements and these Articles, any unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Directors who may offer, issue, allot (with or without conferring a right of renunciation), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.

17. Restrictions on issue

Article 16 shall be subject to the following provisions:

(1) the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in or management control of the Company without the prior approval of the Members in general meeting;

(2) no Director shall participate in a share scheme to employees unless the Members in general meeting have approved the specific allotment to such Director;

(3) no shares shall be issued at a discount except in accordance with Section 59 of the Act; and

(4) unless otherwise required under the Act, the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating them.

18. Rights attached to shares

Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or as the Directors (subject to them being duly authorised to do so by an ordinary resolution of the Company) may determine provided that where the capital of the Company consists of shares of different monetary denominations, voting rights shall be determined in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

68. Consolidation, division and cancellation

The Company may by ordinary resolution:

(1) consolidate and divide all or any of its share capital into shares of larger amount;

(2) (subject to Section 62(1) of the Act) subdivide its existing shares or any of them into shares of smaller amount;

(3) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or

(4) subject to these Articles and the Act, convert any class of shares into any other class of shares.

71. Reduction of capital

The Company may by special resolution reduce its share capital and any capital redemption reserve or share premium account in any manner authorised by law.

72. Resolution to increase capital

Without prejudice to the rights attached to any existing shares or class of shares, the Company in general meeting may by ordinary resolution increase its capital by the creation of shares of such nominal amounts, and carrying such rights and restrictions, as the resolution specifies provided that where the capital of the Company consists of shares of different monetary denominations, voting rights (if specified in such resolution) shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable."

15.2.2 Remuneration of Directors

"108. Remuneration

Subject to these Articles, the remuneration of the Directors shall from time to time be determined by the Company in general meeting but:

(1) Directors' fees payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;

(2) salaries payable to Directors holding executive office in the Company may not include a commission on or a percentage of turnover;

(3) all remuneration payable to Directors shall be deemed to accrue from day to day;

(4) fees payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting;

(5) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

109. Expenses

The Directors may be paid all travelling, hotel and other expenses, properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company.

110. Special remuneration

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:

(1) render any special or extra services to the Company; or

(2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover."

15.2.3 Transfer of Securities

"40. Transfer of Securities

Subject to the Act, these Articles, the Central Depositories Act, the Rules and the Regulations, the transfer of any listed Securities or class of listed Securities of the Company which have been deposited with the Depository shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Securities.

41. Execution Requirements

The instrument of transfer lodged with the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the Security until the transferee's name is entered in the Register (or as the case may be, such applicable register required under the Act) as the holder of that Security. Every instrument of transfer of Non-Deposited Securities shall be in writing and shall be left at the Office accompanied by the certificate of the securities to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. All instruments of transfer which shall be registered shall be retained by the Company. Subject to the provisions of the Act, the Company shall provide a book to be called "Register of Transfers" which shall be kept by the Secretary under the control of the Directors and in which shall be entered the particulars of every transfer or transmission of every Non-Deposited Security.

42. Directors' right to decline registration

Subject to Article 40, the Directors may in their absolute discretion and without assigning any reason thereof, decline to register any instrument of transfer of Non-Deposited Securities which are not fully paid and may also refuse to register any transfer of Non-Deposited Securities on which the Company has a lien without assigning any reason for such refusal. The registration of any transfer shall be suspended when the register of depositors is closed under Article 47.

43. Depository's right to refuse transfer

The Depository may, in its absolute discretion, refuse to register any transfer of Deposited Securities that does not comply with the Central Depositories Act, the Rules and the Regulations.

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46. Transfer fully paid Securities

Subject to the Central Depositories Act, the Rules and the Regulations, any Member may transfer all or any of its Deposited Securities by instrument in writing in the form prescribed and approved by Bursa Malaysia and the Registrar (as the case may be). Subject to these Articles, there shall be no restriction on the transfer of fully paid-up Securities, except where required by law and no Securities shall in any circumstances be transferred or transmitted to any infant, bankrupt or person of unsound mind or a person who is insolvent or to a partnership or an unincorporated body. The instruments shall be executed by or on behalf of the transferor and the transferee and the transferor shall remain the holder of the Securities transferred until it is entered in the Register and/or the Record of Depositors as the case may be. All transfers of Deposited Securities shall be effected in accordance with the Act, the Central Depositories Act, the Rules and the Regulations.

47. Closure of register

The Register and the Record of Depositors shall be closed at such time for such periods as the Directors may from time to time determine provided always that the Register or the Record of Depositors shall not be closed for more than thirty (30) days in any year. The Company shall before it closes the Register and the Record of Depositors:

(1) in the case of the Register, give notice of such intended closure in accordance with Section 160 of the Act;

(2) in the case of the Record of Depositors, give notice of such intended closure to Bursa Malaysia at least ten (10) Market Days before the intended date of such closure or such number of Market Days which Bursa Malaysia may stipulate from time to time including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration;

(3) in the case of the Record of Depositors, publish in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper, a notice of such intended closure including the information to be included in the notice referred to in Article 47(2).

The Company shall give written notice in accordance with the Rules and the Regulations to enable the Depository to prepare the appropriate Record of Depositors.

48. Destruction of records

(1) The Company shall be entitled to destroy:

(a) any instrument of transfer which has been registered at any time after six (6) years from the date of its registration;

(b) any dividend mandate or any variation or cancellation of it or any notification of change of address, at any time after two (2) years from the date of the recording;

(c) any certificate of title to any Securities which has been cancelled, at any time after one (1) year from the date of its cancellation;

(d) any other document on the basis of which any entry in the Register is made, at any time after six (6) years from the date such entry in the Register was first made in respect of such document.

(2) Every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document destroyed under Article 48(1) shall be conclusively deemed to have been duly and properly made and that:

(a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;

(b) every share certificate so destroyed was a valid certificate duly and properly cancelled;

(c) every other document destroyed under Article 48(1) was a valid and effective document in accordance with its recorded particulars in the books or records of the Company.

(3) The provisions of Articles 48(1) and (2) shall be subject to the following:

(a) any document may only be destroyed in good faith and without express notice to the Company that the preservation of such document was relevant to any claim;

(b) nothing in such provisions shall be construed to impose on the Company any liability in respect of the destruction of any such document earlier than provided for in Article 48(1) or in any case where the conditions in such Article have not been fulfilled;

(c) references to the destruction of any document include references to its disposal in any manner;

(d) references to documents include (without limitation) any records or copies of documents stored on microfilm, microfiche, any electronic database or any other system of data recording and storage.

49. No liability of Directors etc.

Subject to the Act, every entry in the Register, purporting to have been made on the basis of an instrument of transfer or other document in good faith by the Company shall be conclusively deemed to have been duly and properly made including (without limitation) where:

(1) the instrument of transfer or other document is obtained or created fraudulently or is otherwise void, voidable or otherwise unenforceable;

(2) the Company or any of its Directors or officers may have notice that such instrument of transfer was signed, executed and/or delivered by the transferor or other authorised person in blank as to the name of the transferee or the particulars of the Securities transferred or otherwise made defectively;

and any person who becomes the registered holder of any Securities by reason of any such entry shall be entitled to be recognised as the registered holder of such Securities, and the Company, its Directors and/or other officers shall not be liable to any person by reason of any such entry being made.

50. No liability of the Company and Directors

Neither the Company nor any of its Directors shall be liable for any transfer of Securities effected by the Depository.

53. Transmission of Securities

(1) Where:

(a) the Securities of the Company are listed on another exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities;

the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange ('Foreign Register'), to the register of holders maintained by the Share Registrar in Malaysia ('Malaysian Register') and vice versa provided that there shall be no change in the ownership of such Securities.

55. Entitlement to a security in consequence of the death, bankruptcy or mental disorder of a Member and rights to a person entitled

The entitlement of a person becoming entitled to a Security in consequence of the death, bankruptcy or mental disorder of a Member to elect either to have his name entered as the holder of such Security in the Record of Depositors or to have the name of some person nominated by him entered in the Record of Depositors as a holder of such Securities shall be subject to and in accordance with the Rules and the Regulations or as the Depository may determine. A person becoming entitled to a Security by reason of the death, bankruptcy or mental disorder of the holder or by operation of law shall, subject to and in accordance with the Rules, the Regulations or as the Depository may determine, be entitled to the rights to which he would be entitled as the holder of the Security."

15.2.4 Voting and Borrowing Powers of Directors

"116. General power

Subject to the Act and these Articles, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of these Articles shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made. The powers given by this Article shall not be limited by any special power given to the Directors by these Articles and a meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

123. General borrowing powers

Except as provided by Article 124, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other Securities, whether as primary or collateral security for any debt, liability or obligation of the Company or any other party.

124. Restrictions on borrowing

The Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

125. Register of charges

The Company shall keep a 'register of charges' in accordance with Section 115 of the Act. No fee shall be charged for any inspection of such register by a Member or a creditor of the Company.

141. Disclosure of interests

(1) Subject to the Act, and provided that he has disclosed to the board of Directors the nature and extent of any material interest of his, a Director notwithstanding his office:

(a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

(b) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

(c) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate (unless the Company by ordinary resolution determines otherwise) and no transaction or arrangement shall be liable to be avoided (whether or not such ordinary resolution is passed) on the ground of any such interest or benefit;

(d) may act by himself or his firm in a professional capacity for the Company, and he or his firm (as the case may be) shall be entitled to remuneration for professional service but nothing in these Articles shall authorise a Director or his firm to act as auditor of the Company.

(2) For the purposes of this Article:

(a) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of person is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and

(b) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

142. Right to regulate proceedings

Subject to these Articles, the Directors may regulate their proceedings as they think fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall (subject to Article 145) have a second or casting vote.

145. Where no casting vote

When two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote in the question at issue shall not have a casting vote.

148. Proceedings at Committee Meetings

A Committee may meet and adjourn its meetings as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present.

150. Acts valid through defect

All acts done by a meeting of Directors, or of a committee of Directors, or by a person acting as a Director shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any Director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

152. Directors' resolution in writing

A resolution in writing signed by a majority of the Directors entitled to receive notice of a meeting of Directors or of a committee of Directors shall be as valid and effectual as if it had been passed at a meeting of Directors or a committee of Directors (as the case may be) duly convened and held and may consist of several documents in the like form each signed by one (1) or more Directors; but a resolution signed by an alternate Director need not also be signed by his appointor and, if it is signed by a Director who has appointed an alternate Director it need not be signed by the alternate Director in that capacity. A signed Directors' Circular Resolution transmitted by facsimile (fax) or any other electronic means shall be deemed to be an original.

153. Disqualification from voting

Except as otherwise provided by these Articles, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one (1) or more of the following paragraphs:

(1) any arrangement for giving him any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its Subsidiaries;

(2) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its Subsidiaries for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security;

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

154. Separation of Resolutions

Where proposals are under consideration concerning or relating to the terms of employment, consultancy or other services of or to be provided by Directors to or with the Company or any body corporate in which the Company is interested or other related matters, the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own.

155. Questions on right to vote

If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive."

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15.3 Limitation on the Right to Hold Securities and/or Exercise Voting Rights

Save as disclosed below, there is no limitation on the right to own securities, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise their voting rights on our securities, which is imposed by Malaysian law or by the constituent documents of our Company.

15.3.1 Disenfranchisement of voting rights when the Deposited Securities held by a Foreigner exceeding the Prescribed Limit

In accordance with our Article 44, where a foreigner holds deposited securities in a securities account and such deposited securities raise the ownership of shares in our Company by foreigners beyond the aggregate limit of forty five per cent (45%) of the total issued and paid up share capital of our Company ("**Prescribed Limit**"), such foreigner, in respect of such deposited securities, shall have no voting rights in respect of such deposited securities and only be entitled to such other rights, benefits, powers and privileges as may be determined by our Board from time to time pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 ("**Regulations**") and such determination shall for avoidance of doubt take precedence over all rights, benefits, powers and privileges that would otherwise accrue to the foreigner whether pursuant to our Articles or otherwise.

Our Company shall make public announcements at such intervals as our Company deems fit or as may be required by the relevant authorities of the percentage of the then issued ordinary share capital of our Company which in our opinion is owned by foreigners and whenever such percentage reaches the Prescribed Limit, our Company may make a public announcement to that effect.

15.3.2 Rights of a Depositor to present and vote at the General Meeting

Pursuant to Article 76, our Company shall request Bursa Depository in writing to issue a record of depositors to whom notices of general meetings shall be given by our Company. Our Company shall also request Bursa Depository in writing to issue a record of depositors, as at the latest date which is reasonably practicable and which shall in any event be not less than three (3) clear Market Days before the general meeting ("**General Meeting Record of Depositors**").

Subject to the Regulations (where applicable) and notwithstanding any provisions in the Companies Act 1965, the General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of the shares of our Company eligible to be present and vote at such meetings. A depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

15.3.3 Right to vote of an unsound mind

In accordance with Article 97, a member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney.

Evidence to our Directors' satisfaction of the person claiming to exercise the right to vote shall be deposited at our registered office, at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised. If this is not done, the right to vote shall not be exercisable.

15.3.4 No right to vote unless calls paid

According to Article 98, no member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in our Company, either in person or by proxy or attorney, in respect of any share held by him unless all calls and other moneys presently payable by him in respect of that share have been paid.

15.3.5 Restriction on objections

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. As provided in Article 99, any objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

15.4 Deposited Securities and Rights of Depositors

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our share registrar will be required to transfer the Shares to the Minister of Finance, and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.5 General

15.5.1 Save as disclosed in Section 4.11 of this Prospectus, no commissions, discounts, brokerages or other special terms had been paid or were payable by our Group within the 2 years immediately preceding the LPD for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any share in or debenture of our Group and in connection with the issue or sale of any capital of our Group and no Director or promoter or expert is or are entitled to receive any such payment or any other benefits.

15.5.2 During the last financial year and the current financial period up to the LPD, there were no:

(i) public take-over offers by third parties in respect of our Company's securities; and

(ii) public take-over offers by our Company in respect of any other company's securities.

15.5.3 Save as disclosed in Section 9.4.1 of this Prospectus, there is no person, so far as known to us, who directly or indirectly, jointly or severally, exercises control over us.

15.6 Material Contracts

Save for the Retail Underwriting Agreement and our lock-up agreement dated 27 May 2013 referred to in Sections 4.11.1 and 4.11.3(i) of this Prospectus, respectively, our Company and our subsidiaries had not entered into any material contract with parties outside of our Group, which is not in the ordinary course of our Group's business during the 2 years preceding the LPD.

15.7 Material Litigation

As at the LPD, neither our Company nor our subsidiaries were involved in any material litigation or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or financial position of our Group, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group.

15.8 Letters of Consent

The written consents of our Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters, the Joint Underwriters, the Co-Lead Managers, the Legal Advisers, the Principal Bankers, the Share Registrar, the Issuing House and our Company Secretaries as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report, and Reporting Accountants' letter on our pro forma consolidated balance sheet as at 31 December 2012 in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of S-A-P for the inclusion of its name, the independent market research report and all references in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

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