

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

Unless stated otherwise, all abbreviations and defined terms contained herein are defined in the "Definitions" section of this Abridged Prospectus.

This Abridged Prospectus, together with the notice of provisional allotment ("NPA") and the rights subscription form ("RSF") (collectively, the "Documents") are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear in our Record of Depositors at 5.00 p.m. on 15 May 2015 ("Entitled Shareholders"). The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws related to public offerings of any country or jurisdiction where action for such purpose is required, other than the laws of Malaysia. Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their Provisional Allotments (as defined in this Abridged Prospectus), the application for Excess Rights Shares (as defined in this Abridged Prospectus), or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares (as defined below) and Warrants (as defined below) would result in the contravention of any laws of such countries or jurisdictions. Neither our Company nor the Principal Adviser shall accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) of the Provisional Allotments, application for Excess Rights Shares, or the subscription, offer, sale, resale, pledge or other transfer of the Rights Shares and Warrants made by any Entitled Shareholder and/or his renounee(s) and/or transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Shareholder and/or his renounee(s) and/or transferee(s) (if applicable) is a resident.

The approval from our shareholders for, amongst others, the Rights Issue with Warrants, was obtained at our Extraordinary General Meeting held on 27 March 2015. The approval from Bursa Securities for, among others, the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for all the Rights Shares and the Exercised Shares (as defined in this Abridged Prospectus) on the Main Market of Bursa Securities was also obtained via its letters dated 26 February 2015 and 29 April 2015. Admission to the Official List of Bursa Securities and the listing of and quotation for the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. The official listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd that all Central Depository System accounts of the successful Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

A copy of this Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies of Malaysia, who takes no responsibility for the contents of the Documents.

Our Board has seen and approved all the documentation relating to the Rights Issue with Warrants including the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any information in the Documents false or misleading.

CIMB, being the Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.



**AIRASIA X BERHAD**

(Company No. 734161-K)

(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,779,071,540 NEW ORDINARY SHARES OF RM0.15 EACH IN AIRASIA X BERHAD ("AAX SHARES") ("RIGHTS SHARES") TOGETHER WITH UP TO 889,535,770 FREE DETACHABLE WARRANTS ("WARRANTS"), ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4) EXISTING AAX SHARES HELD AS AT 5.00 P.M. ON 15 MAY 2015 ("ENTITLEMENT DATE") AND ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR BY OUR ENTITLED SHAREHOLDERS AT AN ISSUE PRICE OF RM0.22 PER RIGHTS SHARE.**

*Principal Adviser, Managing Underwriter and Joint Underwriter*

*Joint Underwriter*

*Joint Underwriter*

*Financial Adviser*



**CIMB Investment Bank Berhad**  
(18417-M)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



**MIDF Amanah Investment Bank Berhad**  
(Company No. 23878-X)



**Kenanga Investment Bank Berhad**  
(Company No. 15678-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



**ECM Libra Capital Sdn Bhd**  
(Company No. 579116-A)

**IMPORTANT RELEVANT DATES AND TIMES:**

Entitlement Date	: Friday, 15 May 2015 at 5:00 p.m.
Last date and time for the sale of Provisional Allotments	: Friday, 22 May 2015 at 5:00 p.m.
Last date and time for the transfer of Provisional Allotments	: Wednesday, 27 May 2015 at 4:00 p.m.
Last date and time for acceptance and payment	: Monday, 1 June 2015 at 5:00 p.m.*
Last date and time for application and payment for Excess Rights Shares	: Monday, 1 June 2015 at 5:00 p.m.*

\* or such later date and time as our Board, Principal Adviser and Managing Underwriter may decide and announce at their absolute discretion not less than two (2) Market Days (as defined in this Abridged Prospectus) before the stipulated date and time.

**ALL TERMS USED ARE AS DEFINED IN THE "DEFINITIONS" PAGE OF THIS ABRIDGED PROSPECTUS.**

**THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.**

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE WITH WARRANTS AND ANY INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007.**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (SUCH AS OUR DIRECTORS AND ADVISERS) ARE RESPONSIBLE.**

**THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF AAX SHARES AND WARRANTS BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY AAX SHARES AND WARRANTS IN ANY JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.**

**THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE WITH WARRANTS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.**

## DEFINITIONS

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

AAX or our Company	: AirAsia X Berhad
AAX Group or our Group	: AAX and its subsidiaries, collectively
AAX Share(s) or Share(s)	: Ordinary share(s) of RM0.15 each in our Company
Abridged Prospectus	: This abridged prospectus and its accompanying documents dated 15 May 2015 issued by our Company in relation to the Rights Issue with Warrants
Act	: Companies Act, 1965
AirAsia Group	: AirAsia Berhad, its subsidiaries, joint venture companies and associate companies and other companies using the "AirAsia" brand name, taken as a whole (including AAX Group, where applicable)
AirAsia Insure	: A travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee
Amendment	: Amendment to AAX's Memorandum and Articles of Association as a consequence of the Increase in Authorised Share Capital, which was completed on 27 March 2015
ATM(s)	: Automated Teller Machine(s)
Authorised Nominee(s)	: A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
Board or Directors	: The Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
CDS	: Central Depository System
CDS Account	: A securities account established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
CIMB or Principal Adviser or Managing Underwriter	: CIMB Investment Bank Berhad
Closing Date	: The last time and date for acceptance and payment for the Provisional Allotments and/or Excess Rights Shares, being 5.00 p.m. on Monday, 1 June 2015
Corporate Exercise	: Collectively, the Rights Issue with Warrants, the Increase in Authorised Share Capital and the Amendment
Deed Poll	: The document executed by our Company on 29 April 2015 constituting the Warrants
Documents	: Collectively, this Abridged Prospectus and the accompanying NPA and RSF
EGM	: Extraordinary general meeting
Electronic Application(s)	: Application(s) for acceptance of Provisional Allotments and application for Excess Rights Shares through the Participating Financial Institution
Entitled Shareholder(s)	: Our shareholder(s) whose name(s) appear in our Company's Record of Depositors on the Entitlement Date in order to be entitled to the Rights Issue with Warrants

**DEFINITIONS** (cont'd)

Entitlement Basis	: The entitlement basis for the Rights Issue with Warrants, being three (3) Rights Shares for every four (4) existing AAX Shares held on the Entitlement Date, and one (1) Warrant for every two (2) Rights Shares subscribed for
Entitlement Date	: 5.00 p.m. on 15 May 2015, being the time and date on which the names of our shareholders must be registered in our Company's Record of Depositors in order to be entitled to the Rights Issue with Warrants
EPS	: Earnings per share
ESOS	: Our Company's Employees' Share Option Scheme
ESOS By-Laws	: By-laws of the ESOS
ESOS Options	: 6,150,000 outstanding ESOS options as at the LPD, including the Vested ESOS Options
Excess Rights Shares	: Rights Shares not taken up or not validly taken up by our Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) prior to excess application
Exercise Price	: RM0.46, being the price at which one (1) Warrant is exercisable into one (1) AAX Share, subject to such adjustments as may be allowed under the Deed Poll
Exercised Share(s)	: The up to 889,535,770 new AAX Share(s) to be issued arising from the exercise of the Warrants
Foreign Addressed Shareholders	: Our shareholders on the Entitlement Date who have not provided an address in Malaysia for service of documents
Financial Adviser	: ECM Libra Capital Sdn Bhd
FSA	: Financial Services Act, 2013
FYE	: Financial year ended
IFSA	: Islamic Financial Services Act, 2013
Increase in Authorised Share Capital	: The increase in authorised share capital of AAX from RM500,000,000.00 comprising 3,333,333,333 Shares to RM1,000,000,000.05 comprising 6,666,666,667 Shares, which was completed on 27 March 2015
Internet Application(s)	: Application(s) for acceptance of Provisional Allotments and application for Excess Rights Shares through the Internet Participating Financial Institution
Internet Participating Financial Institution	: The participating financial institution for Internet Application(s) through the internet financial services facility of Public Bank Berhad at ( <a href="http://www.pbebank.com">http://www.pbebank.com</a> )
Issue Price	: RM0.22, being the issue price of one (1) Rights Share
Joint Underwriters	: CIMB, MIDF and KIBB, collectively
KIBB	: Kenanga Investment Bank Berhad
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities
LPD	: 16 April 2015, being the latest practicable date before the issuance of this Abridged Prospectus
LPS	: Loss per share
Market Day	: Any day between Monday and Friday (both days inclusive) on which Bursa Securities is open for trading in securities
MIDF	: MIDF Amanah Investment Bank Berhad

**DEFINITIONS** (cont'd)

NA	:	Net assets
NPA	:	Notice of provisional allotment
NRS	:	Nominee Rights Subscription
PATAMI	:	Profit after tax and minority interests
Participating Financial Institution	:	The participating financial institution for Electronic Application(s) through the ATMs of Public Bank Berhad
Price-Fixing Date	:	29 April 2015, being the date on which the Issue Price was fixed and accordingly the entitlement basis was determined for the Rights Shares and Warrants under the Rights Issue with Warrants
Provisional Allotments	:	Rights Shares and Warrants provisionally allotted to our Entitled Shareholders
Record of Depositors	:	A record of depositors maintained by Bursa Depository under the Rules of Bursa Depository
Rights Issue Entitlement File	:	An electronic file forwarded by Bursa Depository to an Authorised Nominee who has subscribed for NRS, containing information of such Authorised Nominee's entitlement under the Rights Issue with Warrants as at the Entitlement Date
Rights Issue Proceeds	:	Gross proceeds intended to be raised by our Company under the Rights Issue with Warrants of up to RM391,395,739 before the full exercise of the Warrants
Rights Issue with Warrants	:	Renounceable rights issue of the Rights Shares together with the Warrants on the Entitlement Basis at the Issue Price
Rights Share(s)	:	The up to 1,779,071,540 new AAX Share(s) to be issued under the Rights Issue with Warrants
Rights Shares Subscription File	:	An electronic file forwarded by an Authorised Nominee who has subscribed for NRS to Bursa Depository, containing the information of such Authorised Nominee's acceptance of their respective Provisional Allotments and application for Excess Rights Shares
RSF	:	Rights subscription form
Rules of Bursa Depository	:	Rules of Bursa Malaysia Depository Sdn Bhd
SC	:	Securities Commission Malaysia
SICDA	:	Securities Industry (Central Depositories) Act, 1991
TERP	:	Theoretical ex-rights price
Undertakings	:	Irrevocable written undertakings by the Undertaking Shareholders to subscribe and/or procure the subscription in full for their respective entitlements under the Rights Issue with Warrants, details of which are set out in Section 3 of this Abridged Prospectus
Undertaking Shareholders	:	Tune Group Sdn Bhd, AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes, Datuk Kamarudin Bin Meranun, Dato' Seri Kalimullah Bin Masheerul Hassan and Lim Kian Onn, collectively
Underwriting Agreement	:	Underwriting agreement dated 29 April 2015 relating to the Rights Issue with Warrants between our Company, the Managing Underwriter and the Joint Underwriters
Vested ESOS Options	:	1,725,000 outstanding ESOS Options which are vested and exercisable into new AAX Shares at an exercise price of RM1.25 each as at the LPD
VWAMP	:	Volume-weighted average market price

**DEFINITIONS** (cont'd)

Warrants : The up to 889,535,770 free detachable warrants to be issued together with the Rights Shares

**GLOSSARY OF TECHNICAL TERMS**

ASK : Available seat kilometres, being the total number of seats available on scheduled flights multiplied by the number of kilometres those seats were flown over a particular period

ATK : Available tonne kilometres, being the cargo tonnage capacity on scheduled flights multiplied by the number of kilometres that cargo tonnage capacity was flown

FTK : Freight tonne kilometres, being the number of tonnes of cargo carried on scheduled flights multiplied by the number of kilometres those tonnes of cargo were flown

RASK : Revenue per available seat kilometer, which is derived by total revenue divided by ASK

RPK : Revenue passenger kilometres, being the number of paying passengers carried on scheduled flights multiplied by the number of kilometres those seats were flown

wet lease : A leasing arrangement whereby one airline (lessor) provides an aircraft, together with complete crew, maintenance and insurance to a lessee, and the operations of which are carried out as the lessee's flight

**CURRENCIES**

AUD : Australian Dollar

IDR : Indonesian Rupiah

RM and sen : Ringgit Malaysia and sen, respectively

USD : United States Dollar

THB : Thai Baht

All references to “**our Company**” or “**AAX**” in this Abridged Prospectus are to AirAsia X Berhad, and references to “**our Group**” or “**AAX Group**” are to our Company and our subsidiaries, collectively. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company and, where the context requires otherwise, our subsidiaries.

All references to “**you**” or “**your**” in this Abridged Prospectus are to our Entitled Shareholders and/or where the context otherwise requires, their renounee(s) and/or transferee(s).

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations.

Any reference in this Abridged Prospectus to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day or date in this Abridged Prospectus is a reference to Malaysian time and date respectively, unless otherwise specified.

Any discrepancies in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

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## CORPORATE DIRECTORY

## BOARD OF DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>	<u>Occupation</u>	<u>Age</u>
Tan Sri Rafidah Aziz (Senior Independent Non-Executive Chairman)	No. 15 Jalan Setiamurni 2 Bukit Damansara 50490 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Chairman	71
Datuk Kamarudin Bin Meranun (Non-Independent Executive Director and Group Chief Executive Officer)	27, Jalan Setiabakti 6 Bukit Damansara 50490 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Group Chief Executive Officer	53
Tan Sri Dr. Anthony Francis Fernandes (Non-Independent Non-Executive Director)	No. 37-21-7 Sri Penaga Condominium Jalan Medang Serai Bukit Bandaraya 59100 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Company Director	51
Dato' Seri Kalimullah Bin Masheerul Hassan (Non-Independent Non-Executive Director)	No. 1, Jalan USJ 2/7 UEP Subang Jaya 47610 Selangor Darul Ehsan Malaysia	Malaysian	Company Director	57
Dato' Fam Lee Ee (Non-Independent Non-Executive Director)	No. 2, Jalan Kenyalang 11/6G D'Villa, PJU 5 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Advocate & Solicitor	54
Lim Kian Onn (Non-Independent Non-Executive Director)	50, Jalan Setiamurni 6 Bukit Damansara 50490 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Company Director	58
Kiyotaka Tanaka (Non-Independent Non-Executive Director)	266-69 Akiba-Cho Totsuka-Ku Yokohama-City Kanagawa-Pref 245-0052 Japan	Japanese	Managing Director, Aviation and Investment Group	50
Tan Sri Asmat Bin Kamaludin (Independent Non-Executive Director)	23, Jalan 14/37 46100 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director	71
Dato' Yusli Bin Mohamed Yusoff (Independent Non-Executive Director)	49, Jalan Seri Beringin 2 Seri Beringin Bukit Damansara 50490 Kuala Lumpur Wilayah Persekutuan Malaysia	Malaysian	Company Director	56

**CORPORATE DIRECTORY (cont'd)****AUDIT COMMITTEE**

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Dato' Yusli Bin Mohamed Yusoff	Chairman	Independent Non-Executive Director
Lim Kian Onn	Member	Non-Independent Non-Executive Director
Tan Sri Asmat Bin Kamaludin	Member	Independent Non-Executive Director

**COMPANY SECRETARIES**

: Jasmindar Kaur A/P Sarban Singh (MAICSA No. 7002687)  
18, Jalan TK 1/6, Taman Kinrara  
7<sup>th</sup> Mile, Jalan Puchong  
47180 Puchong  
Selangor Darul Ehsan  
Malaysia

Ching Koon Kah @ Chin Kon Kah (MIA No. 8008)  
2172, Jalan Besar  
78300 Masjid Tanah  
Melaka  
Malaysia

**REGISTERED OFFICE/  
CORPORATE OFFICE**

: B-13-15, Level 13  
Menara Prima Tower B  
Jalan PJU 1/39, Dataran Prima  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Tel. no.: (603) 7491 4318  
Fax no.: (603) 7887 2318  
E-mail: [airasiac@airasia.com](mailto:airasiac@airasia.com)  
Website: [www.airasiac.com](http://www.airasiac.com)

**AUDITORS AND REPORTING  
ACCOUNTANTS**

: Messrs. PricewaterhouseCoopers (AF1146)  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
50706 Kuala Lumpur  
Malaysia

Tel. no.: (603) 2173 1188  
Fax no.: (603) 2173 1288

**SHARE REGISTRAR**

: Symphony Share Registrars Sdn Bhd  
Level 6 Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46, 47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Tel. no.: (603) 7841 8000  
Helpdesk: (603) 7849 0777  
Fax no.: (603) 7841 8151/8152

**CORPORATE DIRECTORY** (cont'd)**PRINCIPAL BANKERS**

: CIMB Bank Berhad  
17th Floor, Menara CIMB  
Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia

Tel. no.: (603) 2261 8888  
Fax no.: (603) 2261 8889

CIMB Bank Berhad  
Labuan Offshore Branch  
Level 14(A), Main Office Tower  
Financial Park Labuan  
Jalan Merdeka  
87000 Labuan F.T.  
Malaysia

Tel. no.: (6087) 410 302/410 305  
Fax no.: (6087) 410313

Citibank Berhad  
Menara Citibank  
165, Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

Tel. no.: (603) 2383 8585  
Fax no.: (603) 2383 6666

HSBC Bank Malaysia Berhad  
Head Office, 2, Leboh Ampang  
50100 Kuala Lumpur  
Malaysia

Tel. no.: (603) 2075 3000  
Fax no.: (603) 2070 2968

Maybank Islamic Berhad  
Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia

Tel. no.: (603) 2070 8833  
Fax no.: (603) 2070 6611

Malayan Banking Berhad  
Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia

Tel. no.: (603) 2070 8833  
Fax no.: (603) 2070 6611

**CORPORATE DIRECTORY (cont'd)**

- PRINCIPAL ADVISER,  
MANAGING UNDERWRITER AND  
JOINT UNDERWRITER** : CIMB Investment Bank Berhad  
17th Floor, Menara CIMB  
Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia
- Tel. no.: (603) 2261 8888  
Fax no.: (603) 2261 0353
- JOINT UNDERWRITERS** : MIDF Amanah Investment Bank Berhad  
Level 8, 9, 10, 11 & 12, Menara MIDF  
No. 82, Jalan Raja Chulan  
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- Tel. no.: (603) 2173 8888  
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- FINANCIAL ADVISER FOR THE  
RIGHTS ISSUE WITH WARRANTS** : ECM Libra Capital Sdn Bhd  
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- Tel. no.: (603) 2089 1888  
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- SOLICITORS FOR THE RIGHTS  
ISSUE WITH WARRANTS** : Messrs. Foong & Partners  
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Kompleks 1 Mont' Kiara  
No. 1 Jalan Kiara, Mont' Kiara  
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- Tel. no.: (603) 6419 0822  
Fax no.: (603) 6419 0823
- STOCK EXCHANGE LISTED AND  
LISTING SOUGHT** : Main Market of Bursa Securities

LETTER TO OUR SHAREHOLDERS

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**AIRASIA X BERHAD**  
(Company No. 734161-K)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

B-13-15, Level 13  
Menara Prima Tower B  
Jalan PJU 1/39, Dataran Prima  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

15 May 2015

**Board of Directors:**

Tan Sri Rafidah Aziz (*Senior Independent Non-Executive Chairman*)  
Datuk Kamarudin Bin Meranun (*Non-Independent Executive Director and Group Chief Executive Officer*)  
Tan Sri Dr. Anthony Francis Fernandes (*Non-Independent Non-Executive Director*)  
Dato' Seri Kalimullah Bin Masheerul Hassan (*Non-Independent Non-Executive Director*)  
Dato' Fam Lee Ee (*Non-Independent Non-Executive Director*)  
Lim Kian Onn (*Non-Independent Non-Executive Director*)  
Kiyotaka Tanaka (*Non-Independent Non-Executive Director*)  
Tan Sri Asmat Bin Kamaludin (*Independent Non-Executive Director*)  
Dato' Yusli Bin Mohamed Yusoff (*Independent Non-Executive Director*)

**To: Our shareholders**

Dear Sir/Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,779,071,540 RIGHTS SHARES TOGETHER WITH UP TO 889,535,770 WARRANTS, ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4) EXISTING AAX SHARES HELD ON THE ENTITLEMENT DATE AND ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR BY OUR ENTITLED SHAREHOLDERS AT THE ISSUE PRICE**

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**1. INTRODUCTION**

- 1.1 On 30 January 2015, CIMB announced on behalf of our Board that we proposed to undertake, among others, the Rights Issue with Warrants.

**LETTER TO OUR SHAREHOLDERS** (cont'd)

- 1.2 On 27 February 2015 and 29 April 2015, CIMB announced on behalf of our Board that Bursa Securities had, via its letters dated 26 February 2015 and 29 April 2015, given its approval for the following:
- (i) the admission to the Official List and the listing of and quotation for up to 1,316,666,666 Warrants to be issued pursuant to the Rights Issue with Warrants on the Main Market of Bursa Securities;
  - (ii) the listing of and quotation for up to 2,633,333,333 Rights Shares to be issued pursuant to the Rights Issue with Warrants at the Entitlement Date to raise gross proceeds of up to RM395.00 million on the Main Market of Bursa Securities; and
  - (iii) the listing of and quotation for up to 1,316,666,666 Exercised Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

<b>Conditions imposed</b>	<b>Status of compliance</b>
(i) Our Company and CIMB must fully comply with the relevant provisions under the relevant provisions under the Listing Requirements pertaining to the implementation of the Corporate Exercise.	Noted
(ii) Our Company and CIMB to inform Bursa Securities upon the completion of the Rights Issue with Warrants.	To be complied
(iii) Our Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed.	To be complied
(iv) Our Company to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders at the EGM for the Rights Issue with Warrants.	Complied
(v) Our Company to pay additional listing fees. In this respect, we are required to furnish Bursa Securities on a quarterly basis a summary of the total number of Exercised Shares listed at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

Our shareholders had, at an EGM held on 27 March 2015 approved, among others, the Rights Issue with Warrants. A certified true extract of the resolutions pertaining to the Corporate Exercise which were passed at the said EGM, is set out in Appendix I of this Abridged Prospectus.

- 1.3 On 24 April 2015, CIMB announced on behalf of the Board that the Undertaking Shareholders have provided to our Company, their irrevocable and unconditional written undertakings to subscribe and/or procure the subscription in full of their respective entitlements under the Rights Issue with Warrants. The details of the Undertakings are set out in Section 3 of this Abridged Prospectus.
- 1.4 On 29 April 2015, CIMB announced on behalf of our Board, the following:
- (i) the Entitlement Date for the Rights Issue with Warrants had been fixed at 5.00 p.m. on 15 May 2015;

**LETTER TO OUR SHAREHOLDERS** (cont'd)

- (ii) the Issue Price had been fixed at RM0.22 for each Rights Share;
- (iii) the Entitlement Basis of three (3) Rights Shares for every four (4) existing AAX Shares held by the Entitled Shareholders and one (1) Warrant for every two (2) Rights Shares subscribed by our Entitled Shareholders;
- (iv) the Exercise Price had been fixed at RM0.46 for each Warrant; and
- (v) that our Company had entered into the Underwriting Agreement with the Managing Underwriter and the Joint Underwriters.

No person is authorised to give any information or make any representation not contained in the Documents in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us and/or CIMB.

**YOU SHOULD TAKE NOTE THAT OUR COMPANY IS REQUIRED TO ANNOUNCE TO BURSA SECURITIES BY 29 MAY 2015 (BEING THE LAST MARKET DAY IN MAY 2015) OUR INTERIM FINANCIAL REPORT THAT IS PREPARED ON A QUARTERLY BASIS, BEING THE 3-MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2015. YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE WITH WARRANTS AND ANY INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## 2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

### 2.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants entails a provisional allotment of up to 1,779,071,540 Rights Shares together with up to 889,535,770 Warrants to the Entitled Shareholders on the basis of three (3) Rights Shares for every four (4) existing AAX Shares held on the Entitlement Date and one (1) Warrant for every two (2) Rights Shares subscribed for by our Entitled Shareholders at the Issue Price.

Based on this, an aggregate of up to RM391,395,739 will be raised from the Rights Issue with Warrants, and up to RM409,186,454 will be raised, assuming the full exercise of the Warrants.

**The Warrants are attached to the Rights Shares and shall be issued without any cost to the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) who subscribe for the Rights Shares pursuant to the Rights Issue with Warrants. For avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable. Should the Entitled Shareholders renounce all or any part of their entitlements to the Rights Shares, they will not be entitled to the Warrants attached thereto. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares. Nonetheless, the Warrants will immediately be detached from the Rights Shares upon issuance and will be traded separately on the Main Market of Bursa Securities.**

The Provisional Allotment will be provisionally allotted to the Entitled Shareholders on the Entitlement Date. Any fractional entitlements arising under the Rights Issue with Warrants will be discharged and shall be dealt with in such manner as our Board shall in its absolute discretion deem fit and in the best interest of our Company.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, Entitled Shareholders can subscribe for and/or renounce their entitlement to the Rights Shares and Warrants in full or in part. The Rights Shares which are not taken up or validly taken up by the

**LETTER TO OUR SHAREHOLDERS** (cont'd)

Entitled Shareholders shall be made available for excess applications by other Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable).

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner and in the manner as set out in Section 10.6 of this Abridged Prospectus.

As you are an Entitled Shareholder and the Rights Shares and Warrants are prescribed securities, your CDS Account will be duly credited with the number of Provisional Allotments which you are entitled to subscribe for under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such securities into your CDS Account and the RSF will enable you to subscribe for the Rights Shares and Warrants provisionally allotted to you, as well as to apply for Excess Rights Shares if you choose to do so.

The official listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all CDS Accounts of the successful Entitled Shareholders and/or their renouncee(s) and/or their transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Any dealing in our securities will be subject to, *inter alia*, the provisions of SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights Shares and Warrants will be credited directly into the respective CDS Accounts of the successful applicants. No physical share or warrant certificate will be issued but notices of allotment will be despatched to successful applicants.

Within eight (8) Market Days from the Closing Date, or such other date as may be prescribed by Bursa Securities, we will:

- (i) allot the Rights Shares and Warrants;
- (ii) despatch notices of allotment to the allottees; and
- (iii) make an application for quotation for the Rights Shares and Warrants on the Main Market of Bursa Securities.

The Rights Shares and Warrants will then be listed and quoted on the Main Market of Bursa Securities two (2) Market Days after the application for quotation is made to Bursa Securities.

## **2.2 Basis of determining the Issue Price and Exercise Price**

The Issue Price represents:

- (i) a discount of 50% to the 5-Market Day VWAMP of our Shares of RM0.44 up to 28 April 2015, being the last day of trading prior to the announcement of the Price-Fixing Date on 29 April 2015; and
- (ii) a discount of approximately 37% to the TERP of our Shares of RM0.35 up to 28 April 2015, being the last day of trading prior to the announcement of the Price-Fixing Date on 29 April 2015, which is in line with the discount of precedent recent major rights issues<sup>1</sup> by other listed issuers on Bursa Securities of an average of approximately 31%.

The Exercise Price represents a premium of approximately 30% to the TERP of RM0.35, which takes into account among others, the prevailing market price of our Shares, the intrinsic value of the Warrants which will be issued at no cost, as well as the potential funds to be raised from the exercise of the Warrants during its tenure.

<sup>1</sup> Being rights issues that have been announced and completed since 2014, which raise proceeds in excess of RM100 million. These rights issues resulted in proceeds raised of between the range of RM103 million to RM4.8 billion.



## LETTER TO OUR SHAREHOLDERS (cont'd)

**2.3 Ranking of the Rights Shares, the Exercised Shares and the Warrants**

The Rights Shares and the Exercised Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing AAX Shares, except that the Rights Shares and the Exercised Shares will not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is before the allotment date of the Rights Shares and the Exercised Shares from time to time during the tenure of the Warrants.

The Warrants shall, as between the Warrant holders, rank *pari passu* in all respects among themselves. For the avoidance of doubt, there is no restriction on the rights of our Company to create or issue further securities to rank *pari passu* with the Warrants.

**2.4 Principal terms of the Warrants**

Issue size	:	Up to 889,535,770 Warrants
Exercise Form	:	The Warrants, which are issued with the Rights Shares will immediately be detached upon issue and separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll
Tenure	:	Five (5) years from and inclusive of the date of issue of the Warrants
Exercise rights	:	Each Warrant entitles the holder to subscribe for one (1) new AAX Share at the Exercise Price satisfied in cash. The number of Warrants may from time to time be adjusted in accordance with the provisions of the Deed Poll
Exercise Price	:	Subject to adjustments from time to time in accordance with the Deed Poll, the exercise price of the Warrants had been fixed at RM0.46 for each Warrant
Exercise period	:	The Warrants shall be exercisable into new AAX Shares on any Market Day within a period from the date of issue of the Warrants up to and including the close of the Market Day on the date falling five (5) years from the date of issue of the Warrants. Any Warrants not exercised during the aforesaid exercise period will thereafter lapse and become void
Distribution rights of the Warrants	:	The Warrants are not entitled to any dividends, rights, allotments and/or other distributions to any existing AAX Shares until such Warrants are exercised and new AAX Shares are issued and allotted to such Warrant holders
Status of new AAX Shares arising from the exercise of the Warrants	:	The new AAX Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank <i>pari passu</i> in all respects with the then existing AAX Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is before the allotment date of the new AAX Shares
Adjustments to the Exercise Price and/or number of Warrants	:	The Exercise Price or any additional Warrant which a Warrant holder may be entitled to be issued with from time to time shall be adjusted, calculated or determined by the Board in consultation with an approved investment bank and certified by the auditors in accordance with the provisions as contained in the Deed Poll

**LETTER TO OUR SHAREHOLDERS** (cont'd)

- Ranking in event of winding-up, compromise and/or arrangements : If a resolution is passed for a members' voluntary winding-up of the Company or if a court order approving a scheme of compromise or arrangement made pursuant to Section 176 of the Act is granted, then:
- (i) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrant holders or some person designated by them for such purpose by special resolution shall be a party, the terms of such scheme of arrangement shall be binding on all the Warrant holders;
- (ii) in any other case every Warrant holder shall, within six (6) weeks after the passing of such resolution for a members' voluntary winding-up or within six (6) weeks after the granting of the court order approving the compromise or arrangement (but in both cases, not later than the end of the exercise period for the Warrants), by delivery to the Company of a duly completed subscription form together with the relevant Exercise Price in the manner described in the Deed Poll, be entitled to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the rights represented by such Warrants to the extent specified in the subscription form and had on such date been the holder of the AAX Shares to which he would have become entitled pursuant to such exercise, and the liquidator of the Company shall give effect to such election accordingly; and
- subject to conditions (i) and (ii) above, if the Company is wound up (other than by way of a members' voluntary winding up), all exercise rights which have not been exercised prior to the date of commencement of the winding up shall lapse and the Warrants will cease to be valid for any purpose
- Modification to terms and conditions of the Warrants : AAX may make any modification to the Deed Poll if, in the opinion of an approved investment bank, such modification, addition or deletion will not be materially prejudicial to the interests of the Warrant holders, or is to correct a manifest error or to comply with mandatory provisions of the laws of Malaysia or any requirements of the relevant regulatory authority upon consultation with legal advisers
- Listing : Approval has been obtained from Bursa Securities via its letters dated 26 February 2015 and 29 April 2015 for the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Warrants and the new AAX Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities
- Board lot : The Warrants shall be tradable upon listing in board lots of 100 Warrants, or such denomination as may be determined by Bursa Securities
- Constitution : The Warrants are constituted by the Deed Poll
- Governing law : Laws and regulations of Malaysia

## LETTER TO OUR SHAREHOLDERS (cont'd)

## 3. DETAILS OF THE UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

The Rights Issue with Warrants is intended to be undertaken on a full subscription basis. The Rights Issue with Warrants will be implemented on a level of subscription of up to 1,779,071,540 Rights Shares together with up to 889,535,770 Warrants, computed based on the issued and paid-up capital of AAX as at the LPD (including any additional Rights Shares and Warrants which may be issued pursuant to the exercise of the Vested ESOS Options prior to the Entitlement Date). Without taking into account the additional Rights Shares and Warrants which may be issued pursuant to the exercise of the Vested ESOS Options prior to the Entitlement Date, the level of subscription of the Rights Issue with Warrants shall be 1,777,777,790 Rights Shares together with 888,888,895 Warrants.

The Undertaking Shareholders have provided their irrevocable and unconditional written undertakings to subscribe and/or procure the subscription in full of their respective entitlements under the Rights Issue with Warrants.

The table below sets out the number of Shares held by the Undertaking Shareholders as at the LPD, the Rights Shares which are entitled to be subscribed by the Undertaking Shareholders pursuant to the Rights Issue with Warrants based on their shareholdings in our Company as at the LPD and the Warrants attached to the Rights Shares entitled to be subscribed:

Undertaking Shareholders	As at the LPD		Pursuant to the Undertakings		Value of undertakings (RM)	No. of Warrants attached to the Rights Shares entitled to be subscribed <sup>(2)</sup>
	No. of AAX Shares	% <sup>(1)</sup>	No. of Rights Shares entitled to be subscribed <sup>(2)</sup>	% <sup>(3)</sup>		
Tune Group Sdn Bhd	422,630,214	17.83	316,972,660	17.83	69,733,985	158,486,330
AirAsia Berhad	326,130,573	13.76	244,597,929	13.76	53,811,544	122,298,964
Tan Sri Dr. Anthony Francis Fernandes	49,887,845	2.10	37,415,883	2.10	8,231,494	18,707,941
Datuk Kamarudin Bin Meranun	192,972,994	8.14	144,729,745	8.14	31,840,544	72,364,872
Dato' Seri Kalimullah Bin Masheerul Hassan	102,935,447	4.34	77,201,585	4.34	16,984,349	38,600,792
Lim Kian Onn	112,447,632	4.74	84,335,724	4.74	18,553,859	42,167,862
<b>Total</b>	<b>1,207,004,705</b>	<b>50.91</b>	<b>905,253,526</b>	<b>50.91</b>	<b>199,155,775</b>	<b>452,626,761</b>

**Notes:**

(1) The computation is based on 2,370,370,387 Shares as at the LPD.

(2) Fractional entitlements disregarded.

(3) The computation excludes the additional Rights Shares and Warrants which may be issued pursuant to the exercise of the Vested ESOS Options between the LPD and the Entitlement Date and on the basis that a total of 1,777,777,790 Rights Shares are issued under the Rights Issue with Warrants.

Further, in order to ensure that this subscription level is maintained, the Undertaking Shareholders have also irrevocably and unconditionally undertaken not to reduce their respective shareholdings in AAX in order for them to subscribe for their full rights entitlements under the Rights Issue with Warrants.

**LETTER TO OUR SHAREHOLDERS** (cont'd)

The Undertaking Shareholders have confirmed and CIMB has verified, that the Undertaking Shareholders have sufficient financial resources to fulfill their obligations pursuant to the Undertakings.

We had on 29 April 2015 entered into the Underwriting Agreement with the Managing Underwriter and the Joint Underwriters, for the Joint Underwriters to underwrite the remaining portion of the Rights Shares, for which no undertaking was obtained from the Undertaking Shareholders, comprising 872,524,264 Rights Shares which was computed based on the outstanding issued and paid-up capital of 2,370,370,387 AAX Shares as at the LPD in the following proportions:

	<b>Number of underwritten Rights Shares</b>	<b>Value of the underwritten Rights Shares (RM)</b>	<b>% of total underwritten Rights Shares</b>
CIMB	327,196,764	71,983,288	37.5%
MIDF	327,196,500	71,983,230	37.5%
KIBB	218,131,000	47,988,820	25.0%
	<b>872,524,264</b>	<b>191,955,338</b>	<b>100.0%</b>

The underwriting commission of the Managing Underwriter and the Joint Underwriters is 1.25% of the value of the total underwritten Rights Shares based on the Issue Price. The underwriting commission payable to the Managing Underwriter and the Joint Underwriters and all costs in relation to the Underwriting Agreement will be fully borne by our Company.

#### **4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS**

The Rights Issue with Warrants would enable our Company to raise funds for working capital requirements and reduce our short-term borrowings thus resulting in interest savings, both of which are expected to contribute positively to our Group in the future.

Furthermore, our shareholders are provided an opportunity to participate in an equity offering on a pro-rata basis and acquire new AAX Shares at a discount to prevailing market prices. This serves to reward our shareholders for their continuous support and loyalty to our Company and avoid dilution of their interests (assuming all shareholders fully subscribe for their respective entitlements).

The enlarged share base is also expected to enhance the liquidity and marketability of AAX Shares on the Main Market of Bursa Securities.

The free Warrants to be issued pursuant to the Rights Issue with Warrants allow the Entitled Shareholders to increase their equity participation in our Company at a pre-determined price over the tenure of the Warrants. The Entitled Shareholders may also benefit from any potential capital appreciation of the Warrants. In addition, our Company would be able to raise further proceeds as and when any of the Warrants are exercised.

Based on the above and after taking into consideration the various funding options available, our Board is of the view that at this juncture, fund-raising by way of the Rights Issue with Warrants is in the best interest of our Company and our shareholders.

## LETTER TO OUR SHAREHOLDERS (cont'd)

## 5. UTILISATION OF PROCEEDS

The Rights Issue Proceeds are proposed to be utilised as set out below:

Details of utilisation	Timeframe	Amount
		RM million
Repayment of borrowings <sup>(1)</sup>	Within 6 months	119.00
General working capital of our Group <sup>(2)</sup>	Within 12 months	266.11
Estimated expenses in relation to the Corporate Exercise <sup>(3)</sup>	Within 1 month	6.00
<b>Total gross proceeds<sup>(4)</sup></b>		<b><u>391.11</u></b>

**Notes:**

- (1) We intend to use part of the Rights Issue Proceeds to pare down some of our existing short-term borrowings (including interest payable) of up to approximately RM119.00 million comprising of:

Facility	Amount outstanding as at LPD	Amount to be repaid	Purpose of the borrowings
	RM million	RM million	
Short term bridging loan	76.80	77.70	To finance working capital requirements
Short term revolving credit (Islamic)	40.90	41.30	To finance general and corporate working capital requirements
<b>Total</b>	<b><u>117.70</u></b>	<b><u>119.00</u></b>	

Based on the prevailing interest rate incurred by our Company of approximately 6.50% to 7.50% per annum, such repayment is expected to result in interest saving of about approximately RM8.04 million per annum. As at the LPD, our Group's total borrowings was approximately RM1,597.5 million. For further details on our Group's total borrowing, please refer to Section 9.2 of this Abridged Prospectus.

- (2) Represents funds allocated for general working capital of our Group, including financing our Group's daily operations and operating expenses, which includes but is not limited to (i) sales and marketing expenses; and (ii) general administrative and other operating expenses such as maintenance and overhaul expenses, ground handling charges, airport related expenses and overflight charges. Other general working capital requirements of our Group include those for corporate purposes that relate to our Group's head office in Kuala Lumpur such as compliance fees, consultancy fees, professional fees and legal fees. The details of the funds allocated to general working capital is set out below:

General working capital	Amount
	RM million
General administration and other operating expenses	243.11
Sales and marketing expenses	15.00
General corporate purposes	8.00
<b>Total</b>	<b><u>266.11</u></b>

In the event that the actual expenditure of the funds allocated above is lower than estimated, such excess will be allocated and utilised for general administration and other operating expenses.

## LETTER TO OUR SHAREHOLDERS *(cont'd)*

- (3) Comprise of the estimated expenses relating to the Corporate Exercise such as professional fees of up to approximately RM2.0 million, brokerage, underwriting commission fee of up to RM2.4 million, printing, other fees and miscellaneous expenses and contingencies incurred as a result of the Corporate Exercise of up to approximately RM1.6 million.

If the actual expenses are higher than those estimated, the deficit will be funded out of the amount allocated for general working capital of our Group. However, if the actual expenses are lower than estimated, the excess will be allocated and utilised for general working capital of our Group.

- (4) Based on the issued and paid-up share capital of AAX as at the LPD of 2,370,370,387 AAX Shares, excludes additional gross proceeds arising from the additional Rights Shares which may be issued pursuant to the exercise of the Vested ESOS Options between the LPD and the Entitlement Date. In the event that the Vested ESOS Options are fully exercised as at the Entitlement Date, the total gross proceeds from the Rights Issue with Warrants shall be up to RM391.4 million. Any such difference in proceeds, will be correspondingly adjusted to the amount allocated for general working capital of our Group. For further details on the additional Rights Shares which may be issued pursuant to the exercise of the Vested ESOS Options between the LPD and the Entitlement Date, please refer to Section 8 of this Abridged Prospectus.

The gross proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. The gross proceeds to be raised from the exercise of Warrants will be utilised for our Group's general working capital as and when required, whenever the Warrants are exercised during its tenure.

## 6. RISK FACTORS

You should carefully consider, in addition to other information contained in this Abridged Prospectus, the following risk factors (which may not be exhaustive) before subscribing for or investing in the Rights Shares and Warrants. There may be additional risk factors, which are not disclosed below, which are not presently known to us or which we currently deem to be less significant, which may materially and adversely affect our business, financial condition, operating results and prospects in the future.

### 6.1 Risk relating to airline industry

- (i) **Our business may be adversely affected by terrorist attacks, natural disasters, epidemics and social and political unrest.**

The airline industry in general has suffered substantial losses in recent years as a result of terrorism, natural disasters, epidemics, social and political unrest and other global factors. Terrorist attacks, natural disasters, epidemics and volatility in social and political conditions in the regions in which we operate have in the past, and may in the future, cause substantial reductions in passenger demand, flight cancellations or delays and increases in our operating costs.

Accordingly, any of these types of events, or other events that are not within our control, may have a significant adverse impact on the demand for our services or increase our operating costs, either of which may have a material adverse impact on our financial condition and results of operations.

**LETTER TO OUR SHAREHOLDERS** (cont'd)**(ii) Our business may be adversely affected by general economic conditions in the markets in which we operate.**

We currently conduct substantially all of our operations and generate substantially all of our revenue in the Asia Pacific region. We expect to focus on network development in the Asia Pacific region including several priority markets, namely Australia, China, Taiwan, Japan and Korea. The success of our business depends substantially on the general economic conditions in these regions.

There can be no assurance that the current economic conditions in the Asia Pacific region can be sustained. An economic crisis and any continuing impact thereof on the economies of countries in the Asia Pacific region, or any new adverse economic developments therein, could materially and adversely affect the markets in which we operate. General economic downturns could result in reduction in flight load factors due to reduced demand or restrictions in our ability to obtain external funding. These are largely out of our control but may be detrimental to our operations and financial results.

**(iii) The airline industry is capital intensive and has high fixed costs.**

The airline industry has high start-up and fixed costs due to the nature of its business. High fixed costs within the airline industry primarily relate to the acquisition of aircraft and related financing commitments. As such, to finance the expansion of our aircraft fleet, we may incur a significant amount of debt, and inability to obtain adequate and/or optimal form of financing for that purpose may impact the implementation of our strategy as set out in Section 7.4 of this Abridged Prospectus including our financial and operational performance.

In addition, aircraft fuel and maintenance costs, airport and handling costs, and staff costs are fixed per flight and do not vary significantly with per flight passenger volume. Thus, our industry is generally more susceptible than industries with lower fixed costs to the adverse impact of external shocks. As the airline industry is generally characterised by high fixed costs, any shortfall in revenue levels as a result of external shocks, including economic downturns and other events that result in a disruption in passenger load factors, could have an adverse impact on financial performance. We cannot assure you that such external shocks will not have an adverse impact on our operations and financial results. If any external shocks occur that adversely affect air travel in general, we may experience decreased revenue but would likely not see a corresponding decrease in fixed costs, which would have a material adverse impact on our business, financial and operational conditions.

**6.2 Business and operational risks****(i) We operate in a very competitive industry, where our performance will significantly depend on how effectively we compete with other airlines.**

There is intense competition in the airline industry between airlines, principally in terms of price, quality of service, punctuality, frequency, safety, security, branding, customer-base or passenger loyalty, and other related ancillary services.

We may face direct competition from existing carriers or other new competitors in the future, either on our current routes or on new routes that we add to our network. Other carriers in the low-cost, long-haul segment in the region in which we operate include Australia's Jetstar, Singapore's Scoot, Thailand's NokScoot and the Philippines' Cebu Pacific. Our existing and future competitors in the low-cost, long-haul market may attempt to undercut our fares in the future or increase their capacity on common routes in an effort to increase their market share. In such event, there is no assurance that our levels of market share, traffic volume and revenue will be unaffected.

As many full-service carriers generally have the advantage of being larger, with greater resources (whether financial or otherwise), they may be in a better position to withstand

**LETTER TO OUR SHAREHOLDERS** (cont'd)

losses on some of their routes for a longer period of time. In the event any airline was to reduce its fares to levels that we could not match (while sustaining operations) and was to maintain those reduced fares for an extended period of time, there can be no assurance that we would be able to remain competitive and match those reduced fares for an equivalent period of time.

**(ii) We depend on regulatory approvals and licences to operate in our existing markets and to gain access to new markets.**

We require certain approvals, licences, registration and permissions to operate our business including the Air Operator Certification which is granted by the Department of Civil Aviation of Malaysia, and we must comply with all regulations applicable to the operation of our business in order to retain those approvals, licences, registrations and permissions. We have no control over the regulations that apply to our business and there can be no assurance that we will obtain all the necessary approvals or licences or renewals thereof in a timely manner or at all. If we fail to do so or that such approvals /licences are suspended or terminated, our business could be adversely affected. Further, if we fail to comply with applicable regulations we may be subject to corrective measures and monitoring by the relevant governmental bodies in order to maintain our licences and approvals, or we may lose our licences and approvals, either of which may have a material adverse effect on our business operations and our ability to operate our services.

For each route we operate, we are required to hold the requisite licences, permits and approvals from the countries to and over which we fly. The validity of each licence, permit or approval varies by country. If any licence, permit or approval is revoked or suspended or not renewed upon its expiry or if such renewal is on less favourable terms, we may not be able to operate on the affected route or may have to operate at a reduced frequency. In addition, the actions of Malaysian authorities responsible for overseeing Malaysian airlines and other third parties that we have no control over may adversely affect us.

**(iii) We may not be successful in implementing our strategy.**

As mentioned in Section 7.4 of this Abridged Prospectus, we are undergoing a reorganisation and turnaround exercise to strengthen our balance sheet and to maximise profitability. This strategy may involve expanding our market share by increasing the frequency of flights to markets we currently serve, as well as increasing the number of markets we serve. Our ability to increase our flight frequencies and our market share depends on our ability to obtain additional or new air traffic rights to airports situated within such targeted markets, our ability to establish new hubs and our ability to identify strategic routes in such markets for which such air traffic rights would be obtained. Any restriction or delay in our ability to fly those routes and achieve those desired frequencies could have a material adverse effect on our strategy. Our strategy also depends on our ability to obtain additional or new aircraft and the timely delivery of such aircraft, as well as on our ability to obtain adequate and/or optimal form of financing on reasonable terms to expand our aircraft fleet.

The introduction of new routes or new hubs may not be successful, in which case those routes or hubs may need to be discontinued. Failure to ensure commercial viability of such routes or hubs may result in expenses being incurred without a corresponding increase in revenue. The markets which we intend to serve in the future may be in countries where we have limited operating experience. The operation of our business in these markets may present operating, financial and legal challenges which are significantly different from those that we currently encounter in our existing markets or to which we are accustomed.

Our position in the market will also depend upon the effectiveness of our marketing strategies and business development initiatives, as well as our ability to anticipate and respond to various competitive factors affecting the industry. Any failure by us to effectively compete, whether in terms of pricing, quality of services or otherwise, could



**LETTER TO OUR SHAREHOLDERS** (cont'd)

have a significant adverse effect on the results of our business, operations and financial position.

We currently operate out of Kuala Lumpur and have hubs in Thailand and Indonesia, operated by our associated companies, Thai AirAsia X Co., Ltd and PT. Indonesia AirAsia Extra, respectively. As we strive to expand our operations and expect to continue to do so for the foreseeable future, our ability to successfully manage our operational, financial and management information systems and resources is essential. Any expansion of our business operations and increase in flight frequencies would put a strain on these systems and resources, and could lead to a point where they are no longer adequate to support our business operations or may result in disruptions to our business operations.

In light of all these factors, there is no assurance of our success in establishing new markets or hubs or expanding our current market share, and any failure to do so would harm our business operations, financial condition, profitability and growth prospects.

**(iv) We may not be able to maintain or grow our ancillary revenues.**

Our business strategy includes expanding our portfolio of ancillary products and services. We cannot provide assurance, however, that passengers will purchase these additional ancillary products and services or will continue to pay for the ancillary products and services that we currently offer. Any failure to maintain or expand our ancillary revenues could have a material adverse effect on our operations and financial results.

**(v) We are exposed to adverse impacts from any fluctuation of cost of fuel or any limitation on fuel supply.**

Fuel cost constitute a substantial portion of our operating expenses. As such, our operating results are significantly affected by changes in the availability and the cost of jet fuel.

In the past, there have been fluctuations in the price of jet fuel which is, among other factors, primarily based on the international price of crude oil, which in turn is influenced by supply and demand in the market, economic factors, political factors and various other factors. In the event of an exorbitant increase in fuel price or a fuel shortage, we may be required to curtail some of our scheduled services to cope with such events. We can neither control, nor predict the future cost and availability of fuel with any degree of certainty.

We negotiate our fuel and undertake group-level hedging together with the AirAsia Group in order to increase the bargaining power arising from the larger quantities of fuel purchased by the AirAsia Group as a whole. 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. There may be a possibility that we may also pass a portion of our fuel price increases to our passengers in the form of fuel surcharges. There can be no assurance, however, that future increases in fuel prices can be offset in whole or in part by the bargaining power of the AirAsia Group or by increases in our fares and/or our surcharges, and this may have a material adverse effect on our business operations and financial condition.

**(vi) We may be adversely affected by any increases in the cost of airport facilities and services or any restrictions on access to such airport facilities and services, and, our reliance on third parties to provide us with facilities and services that are integral to our business operations.**

We are dependent on the quantity and quality of airport infrastructure for our current operations and for our future expansion, and we have to compete with other airlines for

**LETTER TO OUR SHAREHOLDERS** (cont'd)

the availability of the terminal space, time slots and aircraft parking, all of which are critical to our operations.

In line with our business expansion plans, we will require support equipment and group and maintenance facilities, including gates and hangars, at the various airports in which we currently operate, and we will require similar equipment and facilities at the various airports from which we operate in the future. For efficiency in our operations and overall profitability, such equipment and facilities must be available in a reliable and timely manner. There can be no assurance that such equipment and facilities will be available or reliable in the future.

There can be no assurance of our ability to lease, acquire or access airport facilities or services on commercially acceptable terms and at preferred times to support our strategy, and the lack of any of these facilities or services may have a material adverse effect on our business operations and financial results. In addition, airport charges are determined by the respective airports or authorities, and we are unable to predict the factors that may affect any change to such charges.

In addition, we engage third party contractors and operators to provide certain facilities and services required for our operations at the various airports at which we operate. These include, but are not limited to, aircraft maintenance, ground handling, refuelling services, airport facilities, information and communication technology services, catering and administrative and support services.

There can be no assurance of the reliability of these third parties, and the loss or expiration of these arrangements or any inability to renew or engage other providers at comparable rates could adversely affect our ability to run our operations efficiently. Our reliance on others to provide essential services for us also gives us less control over certain costs and the efficiency, timeliness and quality of such services provided.

**(vii) We are dependent on our ability to attract and retain personnel on a cost-effective basis, especially our senior management team and highly-skilled talent.**

We are highly dependent on our senior management and our executive officers for the success of our business operations. Our future performance will depend upon the continued services of these persons as we believe that our growth potential and the maintenance of our unique company culture are directly linked to our ability to attract and retain the best possible professionals available in the airline industry.

Competition for senior management in our industry is intense, and we may not be able to effectively retain our senior management personnel or attract and retain new senior management personnel in the future. If any of our executive officers or other key management leaves our Company, or if we are unable to recruit suitable or comparable replacements, this could have a material adverse effect on our business.

There is no assurance that we will be able to identify, hire or retain enough people who meet the high quality and service standards we strive for. We may face difficulties in maintaining our company culture as we become a larger company, and since this is crucial to our business plan, failure to maintain that culture could adversely affect our business operations and financial results.

We may, from time to time, have to consider increasing our wage and benefit packages to attract and retain qualified personnel or risk facing attrition issues. Should highly skilled employees such as pilots, who have been trained by us with our resources, leave to join our competitors, our business operations could be significantly affected. Any failure on our part to attract and retain qualified and skilled employees who meet these criteria at a reasonable cost would adversely affect our corporate culture and reputation and would, in turn, have a material adverse effect on our business and expansion plans.

## LETTER TO OUR SHAREHOLDERS (cont'd)

- (viii) Any accident or sufficiently disruptive or dangerous incident involving any of our aircraft or any AirAsia Group aircraft may adversely affect our reputation and business.**

If any of our aircraft were lost or damaged due to either an accident or a sufficiently disruptive or dangerous incident, we would be exposed to potential significant losses due to required repairs or replacements of the affected aircraft, as well as the temporary or permanent loss of use of that aircraft. We would also be exposed to potential claims in the event that such incidents involve passenger injuries or fatalities. Events such as adverse weather conditions and natural disasters, bird strikes, technical breakdowns and human errors or sabotage are unpredictable and there can be no assurance that our aircraft will not be involved in such events.

In addition to these direct losses, any of the above incidents affecting our aircraft could create negative public perception of the quality of our airline's safety practices. This could have a material adverse effect on our reputation and our business operations.

Further, any accidents or other dangerous incidents involving other airlines in the AirAsia Group may be associated with our Company and may create negative public perception of the quality of our safety practices, which consequently could have a material adverse effect on our reputation, our business operations and financial performance.

- (ix) We could be negatively impacted by any failure to comply with covenants contained in our leasing and financing agreements.**

We have entered into various aircraft financing agreements with certain financiers and various aircraft and engineering lease agreements with certain lessors, as well as banking facilities. These agreements contain customary termination events and also require us to comply with certain additional covenants during the term of each agreement. Some of our financing agreements are also subject to review or termination in the event of a change in control of our Company, which is defined differently depending on the agreement. Failure to comply with or to obtain indulgence for the breach of such covenants could result in a default under the relevant agreement, and ultimately an accelerated repayment or borrowings or a re-possession of the relevant aircraft or engine.

There can be no assurance that we will not breach financial covenants in the future, that we will be able to obtain any indulgences or waivers for these or other matters, or that any future breaches would not result in a default under our facilities, any which could materially and adversely affect our financial position. Certain of these agreements also contain cross default clauses, as a result of which defaults under one agreement could be treated as defaults under other agreements. As such, a failure to comply with the covenants in such agreements could have a negative impact on us.

- (x) We may be adversely affected by movements of currency exchange rates.**

As at LPD, 91.7% of our total borrowings of RM1,597.5 million were denominated in USD. We are therefore exposed to any significant exchange rate movement of the USD. Furthermore, due to the geographic diversity of our business, we receive revenue and incur expenses in a variety of international currencies and therefore face currency exchange rate risks. On the other hand, most of our aircraft and engine maintenance services, aircraft leasing commitments, insurance contracts, and all of our aircraft purchase contracts are denominated in USD. Our fuel contracts are denominated in multiple currencies.

Appreciation or depreciation in the value of the USD or other foreign currency relative to the RM, and in particular, the effects of any appreciation or depreciation, of the USD in relation to the RM as it affects our USD-denominated borrowings, may have a significant impact on our financial results reported in RM without giving effect to any underlying change in our business or results of operations. Any currency exchange rate fluctuations may also lead to a decrease in our profit margins or to operating losses.

**LETTER TO OUR SHAREHOLDERS** (cont'd)

These may be caused by increases in costs that are denominated in a particular currency or in interest expenses, currency exchange losses on unhedged fixed obligations, or indebtedness denominated in foreign currencies. We cannot provide assurance that we will be able to effectively mitigate the possible adverse effect of any future currency fluctuations on our business and financial position.

**(xi) Financing risk**

In addition to the proceeds to be raised under the Rights Issue with Warrants, we may seek external financing to fund the working capital requirements of our Group, if necessary. Our Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investors' confidence in our Group or any restrictions imposed by the Government. There can be no assurance that the necessary financing will be available in amounts and/or on terms acceptable to our Group.

**6.3 Risks relating to the Rights Issue with Warrants****(i) Market price for the AAX Shares**

A variety of factors could cause the prices of AAX Shares to fluctuate, including large block trades of AAX Shares on the open market, announcements of developments relating to our Group's business, fluctuations in our operating/financial results or revenue levels and changes in regulatory requirements or market conditions.

In addition, external factors such as economic, political and industry conditions and stock market sentiments/liquidity could also adversely affect the prices of AAX Shares.

There can be no assurance that the market price of AAX Shares (together with the Rights Shares and Exercised Shares) will be traded above the TERP after the completion of the Rights Issue with Warrants. There can also be no assurance that the market price of the Rights Shares upon or subsequent to its listing and quotation will be at a level that meet the specific investment objectives or targets of any holder of the Rights Shares.

**(ii) Delay in or abortion of the Rights Issue with Warrants**

There is a risk that the Rights Issue with Warrants may be delayed or aborted if there is a material adverse change of events/circumstances which is beyond the control of our Company or CIMB, arising during the implementation of the Rights Issue with Warrants.

There are also certain circumstances where the Managing Underwriter, on behalf of the Joint Underwriters may terminate the Underwriting Agreement on the occurrence of any of the termination events set out in the Underwriting Agreement. These include, among others, events which may materially prejudice the success of the Rights Issue with Warrants, have a material adverse effect on the condition (financial or otherwise), business, management, prospects, results of operations, properties or assets of our Group as a whole which in the reasonable opinion of the Managing Underwriter would be likely to be materially adverse to proceeding with the Rights Issue with Warrants on the terms and in the manner contemplated in the Documents and the Underwriting Agreement.

Notwithstanding the risks, our Company will exercise its best endeavours to ensure the successful implementation of the Rights Issue with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue with Warrants. In the event that the Rights Issue with Warrants is aborted, our Company will repay without interest all monies received from the applicants in accordance with Section 243 of the Capital Markets and Services Act, 2007.

LETTER TO OUR SHAREHOLDERS *(cont'd)***(iii) Potential dilution**

Entitled Shareholders who do not or are unable to accept their Provisional Allotments provisionally allotted to them will have their proportionate ownership and voting interests in our Company reduced, and the percentage of our enlarged issued and paid-up share capital represented by their shareholdings in our Company will also be reduced accordingly.

**(iv) No prior market for the Warrants**

The Warrants will be detached from the Rights Shares immediately upon issue and will be traded separately on Bursa Securities.

As there is no prior market for the Warrants, there can be no assurance that there will be an active market for the Warrants upon or subsequent to its listing on Bursa Securities or, if developed, that such a market is sustainable or adequately liquid during the tenure of the Warrants. The Warrants will be traded on Bursa Securities at prices which are dependent upon market forces and is beyond our control. In addition, there is no assurance that the Warrants will be "in-the-money" during the tenure of the Warrants.

**6.4 Forward-looking statements/future prospects**

This Abridged Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks uncertainties and other factors which may cause our actual results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to the future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "foresee", "forecast", "projection" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- our future overall business development, operations and financial performance, including earnings, cash flows and liquidity;
- potential growth opportunities;
- our business strategies, trends, competitive position and effect of competition;
- plans, objective and strategies of our Company for future operations;
- the general industry environment, including the demand and supply for budget air travel; and
- the regulatory environment and the effects of future regulations.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors. Including, without limitation:

- fluctuation in demand and supply for air travel;
- terrorist attacks, natural disasters, epidemics and social and political unrest in the regions in which we operate;
- the general economic conditions in the markets in which we operate;
- our ability to compete with other airlines in a highly competitive industry;

**LETTER TO OUR SHAREHOLDERS** *(cont'd)*

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- our ability to obtain regulatory approvals and licences to operate in our existing markets and to gain access to new markets;
- increases in fuel prices or limitations on fuel supply;
- our ability to attract and retain personnel, including our senior management team and highly-skilled talent, on a cost-effective basis;
- any accident or sufficiently disruptive or dangerous incident involving any of our aircraft or any AirAsia Group aircraft;
- our ability to raise new equity and/or obtain adequate and/or optimal form of financing for the expansion of our aircraft fleet;
- movements of foreign exchange rates; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed elsewhere in this section of this Abridged Prospectus on "Risk Factors". We cannot give assurance that the forward-looking statements made in this Abridged Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Save as required by Section 238(1) of the Capital Markets and Services Act, 2007, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Abridged Prospectus to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which such statement is based.

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LETTER TO OUR SHAREHOLDERS *(cont'd)***7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS****7.1 Overview and prospects of the Malaysian economy**

The economic growth momentum in 2014 is expected to continue in 2015 driven by improving external demand and resilient domestic economic activity. Growth will be private-led in line with the Government's efforts to strengthen the private sector's role in the economy. Sustained growth in domestic demand, albeit at a moderate pace, is expected to contribute to the expansion in domestic-related activities.

Private investment is expected to remain strong supported by increasing domestic activity and a favourable external sector. Private consumption is, however, expected to moderate below its long-term average, but will continue to support growth. Household spending is expected to moderate amid higher inflation following the implementation of goods and services tax ("GST"). Nevertheless, the impact of higher inflation on consumption is expected to be temporary and will eventually taper off after a few months of the GST implementation. In addition, higher export earnings are expected to boost business earnings and household income and hence mitigate the impact of higher inflation on domestic demand. Consequently, nominal gross national income per capita is expected to increase 8.1% to RM37,486 (2014: 8.9%; RM34,682). Income per capita in purchasing power parity (PPP) terms is expected to increase 2.4% to USD23,512 (2014: 2.2%; USD22,958).

All sectors of the economy are expected to remain strong, with all subsectors recording expansion.

*(Source: Ministry of Finance Malaysia, Economic Report 2014/2015)*

**7.2 Overview of the global aviation industry**

Global air travel expanded by a strong 5.9% in 2014 compared to 2013, above its 10-year average growth rate of 5.6%. Economic conditions around the world showed considerable variation throughout 2014, but the demand backdrop for air travel was supportive, particularly in emerging markets. More than half of the growth in passenger travel took place on airlines in emerging markets, including Asia Pacific and the Middle East. Total revenue passenger kilometers (RPKs) expanded 7.1% and 12.6%, respectively, for 2014 overall.

Global air travel was up 4.6% in January 2015 compared to a year ago, a slower start to the year when compared to the strong 5.9% expansion in 2014 overall. There was a contraction in volumes of 0.2% in January 2015 compared to December 2014, but this decline is relatively small and within normally volatility in RPKs. The slower start to 2015 does not necessarily imply the beginning of weakness in the otherwise robust growth trend. It is important to note, however, that there are some downside risks as concerns have been rising about the health of the global economy at the start of 2015. Business confidence has been weakening since mid-2014 and that could constrain growth in international air travel, which IATA have been noting for the past several months.

Industry load factors reached 79.7% overall in 2014, supported by stronger growth in demand than expansion in capacity. Nonetheless, international load factors have displayed a downward trend throughout 2014, particularly as a result of solid capacity expansion in Asia Pacific carriers. Industry load factors slipped slightly in January 2015 compared to December 2014, as a result of the fall in volumes. The fall was driven by growth in international available seat kilometers (ASKs). Domestic load factors actually managed to increase slightly, with capacity contracting more than the fall in travel volumes. The decline in oil prices over recent months should help support economic activity and passenger demand into 2015. However, as mentioned above, weakness in business confidence has been weighing on international travel, and may continue to constrain the pace of expansion in the near term.

International RPKs grew by 6.1% in 2014 compared to 2013, and were up 5.4% in January 2015 compared to a year ago. This however remains below its 10-year average growth rate of 6.3% and in level terms international RPKs have now been broadly flat since August 2014 (except for a

## LETTER TO OUR SHAREHOLDERS (cont'd)

spike in volumes in December 2014). Asia Pacific carriers saw a rise of 4.7% in January 2015 year-on-year, which is below the 2014 annual trend of 5.8% expansion. In addition, the seasonally-adjusted level of traffic has been broadly flat over the past five months.

*(Source: International Air Transport Association ("IATA"), Air Passenger Market Analysis, December 2014 and January 2015. IATA would like to note that the information provided should not be taken as investment advice.)*

Airlines in the Asia-Pacific region are expected to achieve a net profit of USD5.0 billion in 2015 (up from USD3.5 billion in 2014) for a 2.2% net profit margin. That translates into USD4.30 per passenger. Some strengthening of cargo markets, particularly important in this manufacturing region, plus lower fuel costs, are expected to drive the moderate improvement on 2014.

*(Source: IATA press release titled "Airline Profitability Improves with Falling Oil Prices" dated 10 December 2014. IATA would like to note that the information provided should not be taken as investment advice.)*

### 7.3 Overview of the Southeast Asian and the Malaysian aviation industry

Southeast Asia has emerged as one of the world's fastest growth markets. Low-cost carriers (LCC) have been at the forefront of the growth and now account for nearly 60% of traffic within the region. The region's LCCs have been ambitiously adding capacity, putting pressure on yields and load factors.

Southeast Asia recorded a significant slowdown in LCC growth in 2014 as several airlines adjusted to challenging market conditions. The region's LCC fleet expanded by 13% aircraft compared to about 20% growth in 2013.

A similar fleet growth rate of approximately 13% is likely in 2015, following further revisions to fleets plans in response to overcapacity, which has impacted most Southeast Asian short-haul markets since second half of 2013.

Growth rates could pick up again in 2016 or 2017 if market conditions improve. Higher growth rates ultimately will be required for Southeast Asia's huge LCC order book, which consists of nearly 1,200 aircraft, to remain intact. The potentially huge impact of lower fuel prices could also reshape strategies in 2015, as some LCCs record a 20% reduction in total costs.

The long-term outlook for the Southeast Asian LCC sector remains bright. The region should be able to support rapid growth as discretionary income continues to rise.

*(Source: Centre for Aviation ("CAPA") World Aviation Yearbook 2014 dated March 2014 and CAPA's article titled "Southeast Asia low-cost airline fleet will grow by only 13% in 2015. Lion Air is the exception" dated 28 January 2015. CAPA's analysis is purely for information and should not be considered as guidance for investment purposes. CAPA accepts no responsibility for errors or inaccuracies.)*

During the first half of 2014, the air transport segment expanded 4.9% (January - June 2013: 3.8%) supported by higher tourist arrivals and domestic passengers amid continuous promotion of travel packages with competitive fares by airlines. The air passenger segment continued to record positive growth with total passenger traffic at airports nationwide increasing 10.3% to 49 million during the first seven months of 2014 (January - July 2013: 14.1%; 44.4 million).

The aviation industry in Malaysia has potential to grow significantly as reflected in the increasing number of passengers and cargo handled in airports nationwide for the past few years. To promote the Malaysian aviation industry, the government is formulating a National Aviation Policy to outline comprehensive strategic plan and initiatives to accelerate the development of the industry.

*(Source: Ministry of Finance Malaysia, Economic Report 2014/2015)*

Malaysia was one of Asia's fastest growing markets in 2013. 2014 will see more rapid expansion, not at the torrid speed from 2013 but at a rate which will likely exceed demand, putting further pressure on yields and profitability.



## LETTER TO OUR SHAREHOLDERS (cont'd)

Passenger traffic at Malaysia airports grew by 18% in 2013 to 80 million, including a 17% increase in international traffic and a 20% increase in domestic traffic.

LCC capacity in Malaysia continues to grow rapidly, putting pressure on all carriers. In 2013, Malaysia's LCC fleet grew by more than 30% from 73 to 99 as 26 aircraft were added, including 7 at AAX.

*(Source: CAPA World Aviation Yearbook 2014 dated March 2014. CAPA's analysis is purely for information and should not be considered as guidance for investment purposes. CAPA accepts no responsibility for errors or inaccuracies.)*

### 7.4 Prospects of our Group

Our Company is faced with challenges in a difficult industry-wide operating environment. On 30 January 2015, our Board announced the appointment of Datuk Kamarudin Bin Meranun ("**DKM**") as our Company's Group CEO and Benyamin Bin Ismail ("**Benyamin**") as acting CEO as part of an on-going reorganisation exercise. In this newly created role, DKM will spearhead development of our Group's overarching strategy encompassing our Company and our associated companies, Thai AirAsia X Co., Ltd and PT Indonesia AirAsia Extra. Benyamin, together with DKM will lead the reorganisation and turnaround exercise to strengthen the Company's balance sheet and to maximise profitability to ensure a stronger financial footing for our Company to spearhead growth and uphold our leadership position in the long haul low cost market. As it will take time to fully implement our strategies, we may continue to incur losses before the benefits of our initiatives materialise.

In light of the changing market landscape in the region where travel demand has softened, our reorganization strategy for year 2015 – 2016 include:

- (i) Rationalising route frequency to allow capacity introduced in the past two (2) years to mature. In this regard, any excess capacity would be reassessed and redeployed as necessary to new routes or wet leases during lean seasons in the second and third quarters, to reduce the need to lower yields to fill up excess capacity.

In this regard, we have entered into contracts to redeploy aircraft capacity from scheduled flights to wet lease operations during our lean season for year 2015 where there is peak demand elsewhere.

- (ii) As part of this route strategy, we are also exploring and analysing new routes, including the possibility of route withdrawal just like Adelaide and Nagoya which were withdrawn in January 2015 and February 2015, respectively, in order to optimise yields and network connectivity.
- (iii) Furthermore, we are also assessing our options with regard to our future aircraft deliveries, including selling some aircraft and/or delivery slots, deferment as well as the possibly of switching to newer and more efficient aircraft type,
- (iv) In streamlining our Group's operating expenses, we will continue to pursue further unit cost reduction initiatives and the recent fuel price reduction will assist in this initiative. Other costs reduction initiatives may include streamlining and rationalizing of ground services and cabin crew to improve efficiency in conjunction with our network rationalization and strategy.

Taking into account the Rights Issue with Warrants and the initiatives intended to be undertaken to rationalise our operation, we believe that we have taken the necessary steps for better financial performance. Notwithstanding this, our Company's financial earnings are subject to continued volatility from various factors, including but not limited to fluctuations of the cost of fuel and currency exchange rates, some of which are beyond our control.

## LETTER TO OUR SHAREHOLDERS (cont'd)

**8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS**

As at the LPD, our Company has the following outstanding securities:

- (i) 2,370,370,387 AAX Shares; and
- (ii) 6,150,000 ESOS Options, of which 1,725,000 are Vested ESOS Options.

The following section sets out the financial effects of the Rights Issue with Warrants and is presented purely for illustration purposes based on the following assumptions ("**Assumptions**"):

Scenario 1: Assuming all the Vested ESOS Options are exercised prior to the Entitlement Date resulting in the issuance of an aggregate of 1,779,071,540 Rights Shares with 889,535,770 Warrants, raising a total of up to RM391,395,739; and

Scenario 2: Assuming all the Vested ESOS Options are exercised after the Entitlement Date resulting in the issuance of an aggregate of 1,777,777,790 Rights Shares with 888,888,895 Warrants, raising a total of up to RM391,111,114.

Under Scenario 2, pursuant to the Rights Issue with Warrants, the exercise price and the total number of Vested ESOS Options is adjusted to RM0.98 and 2,070,000 ESOS Options respectively, in accordance with the terms of the ESOS By-Laws.

However, the actual adjustment factor cannot be determined at this juncture as it is dependent on, amongst others, the final number of Rights Shares issued under the Rights Issue with Warrants.

**8.1 Issued and paid-up share capital**

Based on the Assumptions, the effects of the Rights Issue with Warrants on the issued and paid-up share capital of our Company as at the LPD are as follows:

**Scenario 1**

	<b>No. of Shares</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
Issued and paid-up share capital as at the LPD	2,370,370	355,556
To be issued pursuant to the exercise of the Vested ESOS Options prior to the Entitlement Date	1,725	259
	<u>2,372,095</u>	<u>355,815</u>
To be issued pursuant to the Rights Issue with Warrants	1,779,072	266,861
	4,151,167	622,676
To be issued pursuant to the exercise of Warrants	889,536	133,430
<b>Enlarged issued and paid-up share capital</b>	<u>5,040,703</u>	<u>756,106</u>

**Scenario 2**

	<b>No. of Shares</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
Issued and paid-up share capital as at the LPD	2,370,370	355,556
To be issued pursuant to the Rights Issue with Warrants	1,777,778	266,667
	<u>4,148,148</u>	<u>622,223</u>
To be issued pursuant to the exercise of the adjusted Vested ESOS Options	2,070	311
	4,150,218	622,534
To be issued pursuant to the exercise of Warrants	888,889	133,333
<b>Enlarged issued and paid-up share capital</b>	<u>5,039,107</u>	<u>755,867</u>

## LETTER TO OUR SHAREHOLDERS (cont'd)

## 8.2 NA per share and gearing

Based on the Assumptions, our latest audited consolidated balance sheet as at 31 December 2014 and the assumption that the Rights Issue with Warrants had been completed and all Warrants are fully exercised as at 31 December 2014, the pro forma effects of the Rights Issue with Warrants on our consolidated NA per share and gearing are set out below:

## Scenario 1

	I	ii	III
Audited as at 31 December 2014	After the exercise of the Vested ESOS Options	After I and the Rights Issue with Warrants	After II and the full exercise of Warrants
RM'000	RM'000	RM'000	RM'000
Share capital	355,556	355,815	622,676
Share premium <sup>(1)</sup>	849,598	853,010	918,173
Warrants reserve <sup>(2)</sup>	-	-	53,372
Hedge reserve	6,478	6,478	6,478
Capital reserve	1,515	-	-
Accumulated losses	(509,413)	(509,413)	(509,413)
Currency translation reserve	(104)	(104)	(104)
<b>Total Equity/NA</b>	<b>703,630</b>	<b>705,786</b>	<b>1,091,182</b>
Number of AAX Shares in issue ('000)	2,370,370	2,372,095	4,151,167
Total deposits, cash and bank balances	127,198	129,354	395,750
Total borrowings	1,579,345	1,579,345	1,460,345
NA per share (RM)	0.30	0.30	0.26
Gross gearing (times) <sup>(3)</sup>	2.24	2.24	1.34
Net gearing (times) <sup>(4)</sup>	2.06	2.05	0.98

**Notes:**

- (1) After netting off estimated expenses relating to the Corporate Exercise amounting to RM6.0 million.
- (2) The warrants reserve is determined based on the allocation of the Rights Issue Proceeds using the fair value of the Warrants of RM0.16. The warrants reserve is non-distributable, and is transferred to the share premium account upon the exercise of the Warrants.
- (3) Calculated based on the total borrowings divided by the total equity.
- (4) Calculated based on total borrowings net of cash divided by total equity.

## LETTER TO OUR SHAREHOLDERS (cont'd)

## Scenario 2

	I	II	III	
Audited as at 31 December 2014	After the Rights Issue with Warrants	After I and the exercise of adjusted Vested ESOS Options	After II and the full exercise of Warrants	
RM'000	RM'000	RM'000	RM'000	
Share capital	355,556	622,223	622,534	755,867
Share premium <sup>(1)</sup>	849,598	914,709	917,942	1,246,831
Warrants reserve <sup>(2)</sup>	-	53,333	53,333	-
Hedge reserve	6,478	6,478	6,478	6,478
Capital reserve	1,515	1,515	-	-
Accumulated losses	(509,413)	(509,413)	(509,413)	(509,413)
Currency translation reserve	(104)	(104)	(104)	(104)
<b>Total Equity/NA</b>	<b>703,630</b>	<b>1,088,741</b>	<b>1,090,770</b>	<b>1,499,659</b>
Number of AAX Shares in issue ('000)	2,370,370	4,148,148	4,150,218	5,039,107
Total deposits, cash and bank balances	127,198	393,309	395,338	804,227
Total borrowings	1,579,345	1,460,345	1,460,345	1,460,345
NA per share (RM)	0.30	0.26	0.26	0.30
Gross gearing (times) <sup>(3)</sup>	2.24	1.34	1.34	0.97
Net gearing (times) <sup>(4)</sup>	2.06	0.98	0.98	0.44

**Notes:**

- (1) After netting off estimated expenses relating to the Corporate Exercise amounting to RM6.0 million.
- (2) The warrants reserve is determined based on the allocation of the Rights Issue Proceeds using the fair value of the Warrants of RM0.16. The warrants reserve is non-distributable, and is transferred to the share premium account upon the exercise of the Warrants.
- (3) Calculated based on total borrowings divided by total equity.
- (4) Calculated based on total borrowings net of cash divided by total equity.

Please refer to the pro forma consolidated statements of financial position of our Company as at 31 December 2014 together with the Reporting Accountants' letter in Appendix III of this Abridged Prospectus for further details on the pro forma effects above.

## LETTER TO OUR SHAREHOLDERS (cont'd)

**8.3 Earnings and EPS**

The Rights Issue with Warrants is expected to generate interest savings of approximately RM4.02 million for the financial year ending 31 December 2015 arising from the repayment of short-term borrowings of RM119.00 million.

Moving forward, the Rights Issue with Warrants is expected to contribute positively to the consolidated earnings of our Company for the ensuing financial years, when the benefits of the proposed utilisation of proceeds are realised.

The Rights Issue with Warrants will dilute our consolidated EPS or LPS as a result of the increase in the number of AAX Shares in issue upon completion of the Rights Issue with Warrants and as and when the Warrants are exercised into new AAX Shares.

For illustration purposes only, the dilutive impact to our consolidated LPS for the FYE 31 December 2014 from the increase in the number AAX Shares in issue upon completion of the Rights Issue with Warrants and the Exercised Shares assuming the Corporate Exercise were completed on 31 December 2014, is as follows:

**Scenario 1**

	Audited as at 31 December 2014	I After the exercise of the Vested ESOS Options	II After I and the Rights Issue with Warrants	III After II and the full exercise of the Warrants
Net (loss) per the financial year (RM '000)	(519,443)	(519,443)	(519,443)	(519,443)
Number of AAX Shares in issue ( '000)	2,370,370	2,372,095	4,151,167	5,040,703
LPS (sen)	(21.9)	(21.9)	(12.5)	(10.3)

**Scenario 2**

	Audited as at 31 December 2014	I After the Rights Issue with Warrants	II After I and the exercise of the adjusted Vested ESOS Options	III After II and the full exercise of the Warrants
Net (loss) per the financial year (RM '000)	(519,443)	(519,443)	(519,443)	(519,443)
Number of AAX Shares in issue ( '000)	2,370,370	4,148,148	4,150,218	5,039,107
LPS (sen)	(21.9)	(12.5)	(12.5)	(10.3)

Moreover, the actual impact on AAX's future earnings and consolidated EPS will also depend on, among others, the actual number of Rights Shares and Warrants to be issued, the exercise rate of the Warrants as well as the level of returns generated from the utilisation of proceeds raised from the Rights Issue with Warrants and the exercise of Warrants. As a result, the financial effect presented above is merely for illustration purposes and should not be regarded as an indication of the actual impact to our Group's financial performance after the completion of the Rights Issue with Warrants and the full exercise of the Warrants.

**LETTER TO OUR SHAREHOLDERS** *(cont'd)*

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**8.4 Convertible securities**

As at the LPD, save for the outstanding ESOS Options granted which are exercisable between the period from 1 July 2014 to 11 October 2017, our Company does not have any other convertible securities.

The Rights Issue with Warrants will give rise to adjustments to the exercise price and/or number of the ESOS Options pursuant to the ESOS By-Laws. The adjustments will be made in accordance with the provision of the ESOS By-Laws to mitigate any potential equity dilution resulting from the Rights Issue with Warrants to ensure that the status of the existing holders of the ESOS Options are not prejudiced after the Rights Issue with Warrants is completed.

Any necessary adjustments to the Exercise Price and the number of ESOS Options as a result of the Rights Issue with Warrants will be finalised on the day immediately following the Entitlement Date, when the final number of the Rights Shares to be issued is determined.

The details of the actual adjustments to the Exercise Price and the number of ESOS Options shall be notified by our Company to the holders of the ESOS Options at a later date and shall be set out in a letter of adjustments to the holders of the ESOS Options, in accordance with the ESOS By-Laws.

**9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS****9.1 Working capital**

Our Board is of the opinion that after taking into account the Rights Issue Proceeds, existing cash and bank balances, available banking facilities and our projected cash generated from operations, our Group will have sufficient working capital to meet operational requirements over the period of twelve (12) months from the date of issuance of this Abridged Prospectus.

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## LETTER TO OUR SHAREHOLDERS (cont'd)

**9.2 Borrowings**

As at the LPD, our Group had total outstanding borrowings of approximately RM1,597.5 million, all of which are interest-bearing, and the details of which are as follows:

	<u>Currency</u>	<u>Amount in foreign currency '000</u>	<u>Amount in RM'000</u>
<b>Short term borrowings</b>			
<b>Secured:</b>			
Term loans	USD	46,423	170,651 <sup>(1)</sup>
<b>Unsecured:</b>			
Revolving credit	USD	62,000	227,912 <sup>(1)</sup>
Revolving credit	RM		58,000
Bridging loan	RM		75,000
Hire purchase	RM		16
<b>Sub total</b>			<b>531,579</b>
<b>Long term borrowings</b>			
<b>Secured:</b>			
Term loans	USD	289,953	1,065,868 <sup>(1)</sup>
<b>Unsecured:</b>			
Hire purchase	RM		45
<b>Sub total</b>			<b>1,065,913</b>
<b>Total borrowings</b>			<b>1,597,492</b>

**Note:**

(1) Translate based on exchange rate of USD1.00 to RM3.676 as at the LPD. (Source: Bank Negara Malaysia.)

There has not been any default on payments of either interest and/or principal sums by our Group in respect of any borrowings throughout the past one (1) financial year and for the subsequent financial period up to the LPD.

**9.3 Material commitments and contingent liabilities****9.3.1 Material commitments**

As at the LPD, save as disclosed below, our Board confirms that there are no other approved and contractual material commitments incurred or known to be incurred by our Group:

	<b>RM'000</b>
Aircraft purchase <sup>(1)</sup>	77,919,353
Non-cancellable operating lease	7,772,229
<b>Total</b>	<b>85,691,582</b>

**Note:**

(1) Aircraft purchase represent approved and contracted commitments for the purchase of a total of 83 A330 and A350 aircraft which are expected to be delivered between end April 2015 to December 2026.

**LETTER TO OUR SHAREHOLDERS** *(cont'd)*

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The material commitments are expected to be funded by internally generated funds and/or bank borrowings.

**9.3.2 Contingent liabilities**

As at the LPD, our Board confirms that there are no material contingent liabilities, which may, upon being enforceable, have a material adverse effect on our Group's financial position or business.

Our Group has in the ordinary course of business, issued bank guarantees for performance bonds and issued standby letter of credits for the purchase of aircrafts amounting to an aggregate of approximately RM89.41 million as at the LPD.

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**LETTER TO OUR SHAREHOLDERS (cont'd)****10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION**

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS, APPLICATION FOR EXCESS RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

**10.1 General**

The Provisional Allotments are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in such Provisional Allotments will be by book entries through CDS Accounts and will be governed by the SICDA, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renounee(s) and/or transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making applications to subscribe for the Rights Shares and Warrants.

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares and Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants.

You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such securities into your CDS Account and the RSF to enable you to subscribe for the Rights Shares and Warrants provisionally allotted to you, as well as to apply for Excess Rights Shares if you choose to do so. This Abridged Prospectus and the RSF are also available on Bursa Securities' website (<https://www.bursamalaysia.com>).

You should take note that a trading board lot for the Rights Shares and Warrants will comprise of 100 Rights Shares and 100 Warrants each respectively. Successful applicants of the Rights Shares will be given Warrants on the basis of one (1) Warrant for every two (2) Rights Shares successfully subscribed for. The minimum number of Rights Shares that can be accepted is one (1) Rights Share. However, one (1) Warrant will be issued for every two (2) Rights Shares subscribed.

**10.2 Last date and time for acceptance and payment**

The last date and time for acceptance and payment for the Provisional Allotments (whether in full or in part) and/or Excess Rights Shares is the Closing Date, being **1 June 2015 at 5.00 p.m.**, or such later date and time as our Board, Principal Adviser and Managing Underwriter may decide and announce at their absolute discretion not less than two (2) Market Days before the Closing Date.

If acceptance and payment for the Provisional Allotments (whether in full or in part) is not received by our Share Registrar by the Closing Date, or such later date and time as our Board, Principal Adviser and Managing Underwriter may decide and announce at their absolute discretion not less than two (2) Market Days before the Closing Date, you will be deemed to have declined the Provisional Allotments made to you and it will be cancelled. Such Rights Shares and Warrants not taken up will be allotted to the applicants applying for Excess Rights Shares, and subsequently, to the Joint Underwriters, if the Rights Shares and Warrants are not fully taken up by such applicants in the manner as set out in Section 10.6 of this Abridged Prospectus.

## LETTER TO OUR SHAREHOLDERS (cont'd)

**10.3 Procedures for acceptance and payment**

You may accept the Provisional Allotments, either in full or in part, as well as apply for Excess Rights Shares, in addition to your Provisional Allotments using either of the following methods:

<u>Method of application</u>	<u>Category of Entitled Shareholders</u>
RSF <sup>(1)</sup>	All Entitled Shareholders
Electronic Application <sup>(2)</sup> or Internet Application <sup>(3)</sup>	All Entitled Shareholders
NRS	Entitled Shareholders who are Authorised Nominees and who has subscribed for NRS

**Notes:**

- (1) A copy of the RSF will be enclosed together with this Abridged Prospectus. The RSF is also available on the website of Bursa Securities (<http://www.bursamalaysia.com>).
- (2) A surcharge of RM4.00 per Electronic Application will be charged by the Participating Financial Institution.
- (3) A processing fee of RM4.00 per Internet Application will be charged by the Internet Participating Financial Institution.

**10.3.1 By way of RSF**

**ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS TO YOU AS AN ENTITLED SHAREHOLDER MUST BE MADE ON THE RSF ENCLOSED WITH THIS ABRIDGED PROSPECTUS AND MUST BE COMPLETED IN ACCORDANCE WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. ACCEPTANCES WHICH DO NOT CONFORM TO THE TERMS OF THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN OR WHICH ARE ILLEGIBLE MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.**

If you wish to accept the Provisional Allotments, either in full or in part, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions provided therein, and despatch **BY ORDINARY POST, COURIER or DELIVERED BY HAND** (at your own risk) each completed RSF together with the relevant payment using the envelope provided (at your own risk) to our Share Registrar at the following address:

**BY ORDINARY POST**  
Symphony Share Registrars Sdn Bhd  
(Company No. 378993-D)  
Peti Surat 9150  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya  
Selangor Darul Ehsan

**BY COURIER or DELIVERED BY HAND**  
Symphony Share Registrars Sdn Bhd  
(Company No. 378993-D)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan

Helpdesk Tel: (603) 7849 0777  
Fax: (603) 7841 8151/8152

so as to arrive no later than the Closing Date, or such later time and date as our Board, Principal Adviser and Managing Underwriter may decide and announce at their absolute discretion not less than two (2) Market Days before the Closing Date.

One (1) RSF can only be used for acceptance of Provisional Allotments standing to the credit of one (1) CDS Account. Separate RSFs must be used for separate CDS Account(s). The Rights Shares and Warrants subscribed by you in accordance with the procedures set out in the RSF will be credited into the respective CDS Accounts where the Provisional Allotments are standing to the credit.

**LETTER TO OUR SHAREHOLDERS** (cont'd)

A reply envelope is enclosed in this Abridged Prospectus. In order to facilitate the processing of the RSF by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by remittance in RM for the full and exact amount payable for the Rights Shares and Warrants accepted, in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia crossed "**A/C Payee Only**" and made payable to "**AIRASIA X RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with the name and CDS Account of the applicant in block letters to be received by our Share Registrar.

If you lose, misplace or for any other reasons require another copy of this Abridged Prospectus and/or the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at (<http://www.bursamalaysia.com>), our Share Registrar at the address stated above or our Registered Office.

**APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES AND WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THEM AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**YOU SHOULD NOTE THAT THE RSFS SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY THE SHARE REGISTRAR. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASONS.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

Notification on the outcome of your application for the Provisional Allotments will be despatched to you by ordinary post to the address as shown in Bursa Depository's record at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within eight (8) Market Days from the Closing Date; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the Closing Date.

**LETTER TO OUR SHAREHOLDERS** (cont'd)**10.3.2 By way of Electronic Application**

Only Malaysian individuals who are **Entitled Shareholders** may accept and pay for their respective Provisional Allotments, in full or in part, by way of **Electronic Application**.

Please read carefully and follow the terms of this Abridged Prospectus and the procedures, terms and conditions for **Electronic Application** as well as the procedures set out at the **ATMs** of the Participating Financial Institution before making an **Electronic Application**.

**(i) Steps for Electronic Applications through the Participating Financial Institution's ATMs**

The procedures for **Electronic Applications** at the **ATMs** of the Participating Financial Institution are set out on the **ATM** screens of the Participating Financial Institution ("**Steps**"). For illustration purposes, the procedures for **Electronic Applications** at **ATMs** are set out below. The **Steps** set out the actions that you must take at the **ATM** to complete an **Electronic Application**. Please read carefully and follow the terms of this Abridged Prospectus, the steps and the terms and conditions for **Electronic Applications** set out below before making an **Electronic Application**.

- (a) You must have an account with the Participating Financial Institution and an **ATM** card issued by that Participating Financial Institution to access the account;
- (b) You are advised to read and understand this Abridged Prospectus **BEFORE** making the application; and
- (c) You shall accept and pay for your Provisional Allotment via the **ATMs** of the Participating Financial Institution by choosing the **Electronic Application** option. Mandatory statements required in the application are as set out in "**Terms and conditions of Electronic Application**" (please refer to Section 10.3.2(iii) below). You shall enter at least the following information through the **ATM** when the instructions on the **ATM** screen requires you to do so:
  - Personal Identification Number ("**PIN**");
  - AirAsia X Rights Issue Account;
  - CDS Account number;
  - Number of Rights Shares applied for and/or the RM amount to be debited from the account;
  - Current contact number (for e.g. your mobile phone number); and
  - Confirmation of several mandatory statements.

Upon the completion of your **Electronic Application** transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your **Electronic Application**. The **Transaction Record** is only a record of the completed transaction at the **ATM** and not a record of the receipt of the **Electronic Application** or any data relating to such an **Electronic Application** by our Company or the Share Registrar. The **Transaction Record** is for your record and is not required to be submitted with your application.

**LETTER TO OUR SHAREHOLDERS** (cont'd)

**YOU ARE NOT REQUIRED TO SUBMIT THE RSF AND TRANSACTION RECORD TO THE SHARE REGISTRAR FOR ELECTRONIC APPLICATION AT THE ATMS OF THE PARTICIPATING FINANCIAL INSTITUTION. AS SUCH, THE STAMP DUTY OF RM10.00 REQUIRED FOR THE RSF IS WAIVED.**

**(ii) Participating Financial Institution**

Electronic Applications may be made through an ATM of the Participating Financial Institution at its branches within Malaysia.

**(iii) Terms and conditions of Electronic Application**

The Electronic Application shall be made on, and subject to, the terms of this Abridged Prospectus, as well as the terms and conditions of the Participating Financial Institution and those appearing herein:

- (a) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:
  - (i) You have attained eighteen (18) years of age as at the Closing Date;
  - (ii) You have read this Abridged Prospectus and understood and agreed with the terms and conditions of the subscription of the Provisional Allotments; and
  - (iii) You hereby give consent to our Company, Bursa Depository, our Share Registrar, the Participating Financial Institution, their respective agents and any third party involved in facilitating the subscription and refund of payment for the Provisional Allotments, to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the subscription and refund of payment for the Provisional Allotments.
- (b) Your subscription for the Provisional Allotments will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institution. By doing so, you shall have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the FSA and Section 45(1)(a) of the SICDA, to the disclosures as described above.
- (c) You must have sufficient funds in your account with the Participating Financial Institution at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the screen of the ATM through which the Electronic Application is being made, will be rejected.
- (d) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Allotments applied for as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys or buttons on the ATM) of the number of Provisional Allotments applied for shall signify, and shall be treated as, your acceptance of the number of Provisional Allotments that may be allotted to you.

## LETTER TO OUR SHAREHOLDERS (cont'd)

Should you encounter any problems in your Electronic Application, please refer to the Participating Financial Institution.

- (e) By making and completing your Electronic Application, you, if successful, requests and authorises our Company to credit the Rights Shares and Warrants allotted to you into your CDS Account.
- (f) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Participating Financial Institution or Bursa Depository and irrevocably agrees that if:
  - (i) our Company, our Share Registrar or Bursa Depository does not receive your Electronic Application; or
  - (ii) data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Participating Financial Institution or Bursa Depository for the Provisional Allotments applied for or for any compensation, loss or damage relating to the application for the Provisional Allotments.

- (g) All of your particulars, including your nationality and place of residence, in the records of the Participating Financial Institution at the time you make your Electronic Application shall be true and correct, and our Company, our Share Registrar, the Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (h) You shall ensure that your personal particulars as recorded by both Bursa Depository and the Participating Financial Institution are correct and identical. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.
- (i) By making and completing an Electronic Application, you agree that:
  - (i) in consideration of our Company agreeing to allow and accept your subscription for the Provisional Allotments via the Electronic Application facility established by the Participating Financial Institution at its ATMs, your Electronic Application is irrevocable and cannot be subsequently withdrawn;
  - (ii) our Company, the Participating Financial Institution, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
  - (iii) notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Provisional Allotments for which your Electronic Application has been successfully

**LETTER TO OUR SHAREHOLDERS** (cont'd)

completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares and Warrants; and

- (iv) in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (j) Our Share Registrar, on the authority of our Company, reserves the right to reject your Electronic Application for the Provisional Allotments which do not conform to these instructions.
- (k) Notification on the outcome of your subscription for the Provisional Allotments will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
  - (i) successful subscription – a notice of allotment will be despatched within eight (8) Market Days after the Closing Date; or
  - (ii) unsuccessful/partially successful subscription – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the Closing Date.

The refund will be credited directly into your bank account with the Participating Financial Institution from which payment of subscription monies for your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 10.3.2 of this Abridged Prospectus and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account with the Participating Financial Institution from which payment of subscription monies for your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

**10.3.3 By way of Internet Application**

All Entitled Shareholders may apply for the Provisional Allotments by way of Internet Application, in full or in part. However, the subscription must be made within Malaysia.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for Internet Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Application.

**LETTER TO OUR SHAREHOLDERS** (cont'd)**(i) Step 1: Set up of account**

Before you subscribe for the Provisional Allotments by way of Internet Application, you **must have all** of the following:

- (a) an existing account with access to internet financial services facility of the Internet Participating Financial Institution at (<http://www.pbebank.com>);
- (b) your user identification and PIN/password for the internet financial services facility of the Internet Participating Financial Institution; and
- (c) a CDS Account held in your name.

**(ii) Step 2: Read the Abridged Prospectus**

You are advised to read and understand this Abridged Prospectus **BEFORE** subscribing for the Provisional Allotments by way of Internet Application.

**(iii) Step 3: Apply through Internet Application**

While we will attempt to provide you with assistance in your subscription for the Provisional Allotments through Internet Applications, please note that the actual steps for Internet Applications through the internet financial services website of the Internet Participating Financial Institution may differ from the steps outlined below. The possible steps set out below are purely for illustration purposes only.

- (a) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have a bank account;
- (b) Log in to the internet financial services facility by entering your user identification and PIN/password;
- (c) Navigate to the section of the website on applications in respect of the Rights Issue with Warrants;
- (d) Select the counter in respect of the Rights Shares and Warrants to launch the terms and conditions of the Internet Application;
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (f) At the next screen, complete the online application form;
- (g) Check that the information contained in your online application form, such as the share counter (in this case, "**AirAsia X Rights Issue Account**"), your NRIC number, your current contact number (for e.g. your mobile phone number), your CDS Account number, number of Rights Shares and Warrants applied for and the account number to debit are correct. Then select the designated hyperlink on the screen to confirm and submit the online application form;
- (h) As soon as the transaction is completed, a message from the Internet Participating Financial Institution pertaining to the



## LETTER TO OUR SHAREHOLDERS (cont'd)

pertaining to the payment status will appear on the screen of the website through which the online payment for the Provisional Allotments is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Application has been completed, via the confirmation screen on its website ("**Confirmation Screen**"); and

- (i) You are advised to print out the Confirmation Screen for your reference and record.

**YOU ARE NOT REQUIRED TO SUBMIT THE RSF AND CONFIRMATION SCREEN PRINTOUT TO THE SHARE REGISTRAR FOR INTERNET APPLICATION THROUGH THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION. AS SUCH, THE STAMP DUTY OF RM10.00 REQUIRED FOR THE RSF IS WAIVED.**

**(iv) Terms and conditions of Internet Applications**

The Internet Application shall be made on, and subject to, the terms of this Abridged Prospectus, as well as the terms and conditions of the Internet Participating Financial Institution and those appearing herein:

- (a) After selecting the designated hyperlink on the screen, you are required to confirm and undertake that the following information given are true and correct:
  - (i) You have attained eighteen (18) years of age as at the Closing Date;
  - (ii) You have, prior to making the Internet Application, received and/or have had access to a printed/electronic copy of this Abridged Prospectus, the contents of which you have read and understood;
  - (iii) You agree to all the terms and conditions of the Internet Application as set out in this Abridged Prospectus and have carefully considered the risk factors set out in this Abridged Prospectus, in addition to all other information contained in this Abridged Prospectus, before making the Internet Application;
  - (iv) You authorise the Internet Participating Financial Institution with which you have a bank account to deduct the full amount payable for the Rights Shares and Warrants, (including the processing fee as mentioned in Section 10.3 (note 3) of this Abridged Prospectus) from your bank account with the Internet Participating Financial Institution; and
  - (v) You hereby give consent in accordance with the relevant laws of Malaysia (including Section 134 of the FSA and Section 45(1)(a) of the SICDA) for the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant Internet Participating Financial Institution, their respective agents and any third party involved in facilitating the subscription and refund, of information pertaining to yourself, the Internet Application made by you, your account with the Internet Participating Financial Institution and Bursa Depository, to the

## LETTER TO OUR SHAREHOLDERS (cont'd)

relevant authorities and any person as may be necessary or expedient to facilitate the subscription and refund of payment for the Provisional Allotments.

- (b) You confirm that you are not subscribing for the Provisional Allotments as a nominee of any other person and that the Internet Application is made in your own name, as beneficial owner and subject to the risks referred to in this Abridged Prospectus.
- (c) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Allotments applied for as stated on the Confirmation Screen in respect of your Internet Application. Your confirmation of the number of Provisional Allotments applied for shall signify, and shall be treated as, your acceptance of the number of Provisional Allotments that may be allotted to you.

Should you encounter any problems in your Internet Application, please refer to the Internet Participating Financial Institution.

- (d) By making and completing your Internet Application, you, if successful, requests and authorises our Company to credit the Rights Shares and Warrants allotted to you into your CDS Account.
- (e) You acknowledge that your Internet Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Internet Participating Financial Institution or Bursa Depository and irrevocably agrees that if:
  - (i) Our Company, our Share Registrar or Bursa Depository does not receive your Internet Application; or
  - (ii) Data relating to your Internet Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Internet Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Internet Participating Financial Institution or Bursa Depository for the Provisional Allotments applied for or for any compensation, loss or damage relating to the application for the Provisional Allotments.

- (f) All of your particulars, including your nationality and place of residence, in the records of the Internet Participating Financial Institution at the time you make your Internet Application shall be true and correct, and our Company, our Share Registrar, the Internet Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (g) You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification

**LETTER TO OUR SHAREHOLDERS** (cont'd)

letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

- (h) By making and completing an Internet Application, you agree that:
- (i) in consideration of our Company agreeing to allow and accept your subscription for the Provisional Allotments via the Internet Application facility established by the Internet Participating Financial Institution at its internet financial services website, your Internet Application is irrevocable and cannot be subsequently withdrawn;
  - (ii) our Company, the Internet Participating Financial Institution, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Internet Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
  - (iii) notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the subscription of the Provisional Allotments for which your Internet Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares and Warrants; and
  - (iv) you agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Internet Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (i) Our Share Registrar, on the authority of our Company, reserves the right to reject your Internet Application for the Provisional Allotments which do not conform to these instructions.
- (j) Notification on the outcome of your subscription for the Provisional Allotments will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
- (i) successful subscription – a notice of allotment will be despatched within eight (8) Market Days after the Closing Date; or
  - (ii) unsuccessful/partially successful subscription – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within fifteen (15) Market Days after the Closing Date.

## LETTER TO OUR SHAREHOLDERS (cont'd)

The refund will be credited directly into your bank account with the Internet Participating Financial Institution from which payment of subscription monies for your Internet Application was made. Kindly take note of the terms and conditions as stated in Section 10.3.3 of this Abridged Prospectus and the required consent in making your Internet Application.

If the crediting of the refund into your bank account with the Internet Participating Financial Institution from which payment of your subscription monies for your Internet Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

- (k) A processing fee is imposed on each Internet Application which will be charged by the Internet Participating Financial Institution as mentioned in Section 10.3 (*note 3*) of this Abridged Prospectus.
- (l) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Rights Issue with Warrants, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with the Rights Issue with Warrants. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Application services.

#### 10.3.4 By way of NRS

Our Company has appointed Bursa Depository to provide NRS to our shareholders who are Authorised Nominees. Only our Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may subscribe for the Provisional Allotments, in full or in part, via NRS.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository and wish to accept your Provisional Allotment via NRS, please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for application via NRS and Bursa Depository's terms and conditions for NRS and user guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the application.

##### (i) Steps for subscription of the Provisional Allotments via NRS

- (a) If you are an Entitled Shareholder, and who is an Authorised Nominee who has subscribed for NRS with Bursa Depository, you will not be receiving this Abridged Prospectus, the RSF nor the NPA by post.

## LETTER TO OUR SHAREHOLDERS (cont'd)

- (b) Instead, this Abridged Prospectus and a Rights Issue Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's user guide for NRS, on the next Market Day after the Entitlement Date.
- (c) A notification of the electronic delivery of this Abridged Prospectus and the Rights Issue Entitlement File will also be sent to you via electronic mail using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.
- (d) You are advised to read carefully, understand and follow the terms of this Abridged Prospectus, **BEFORE** subscribing for the Provisional Allotments.
- (e) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue with Warrants.
- (f) To subscribe for the Provisional Allotments, you will be required to submit your subscription information via a Rights Shares Subscription File which is to be prepared based on the format as set out in Bursa Depository's user guide for NRS.
- (g) Once completed, you will need to submit the Rights Share Subscription File to Bursa Depository at any time daily before 5.00 p.m., but in any event no later than the Closing Date or such other date and time as our Board, Principal Adviser and Managing Underwriter may decide and announce at their absolute discretion not less than two (2) Market Days before the Closing Date.
- (h) Together with the Rights Shares Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:
- (i) Confirmation that you have, prior to making the application via NRS, received and/or had access to the electronic copy of this Abridged Prospectus, the contents of which you have read, understood and agreed; and
  - (ii) Consent to the disclosure of your information to facilitate electronic refunds where applicable.
- (i) With regards to payment for the Provisional Allotments which you have applied for, you must transfer the amount payable directly to our bank account, the details of which are as follows:
- Bank : CIMB BANK BERHAD**  
**Account Name : AIRASIA X RIGHTS ISSUE ACCOUNT**  
**Bank Account No. : 8007490642**
- prior to submitting the Rights Shares Subscription File to Bursa Depository.
- (j) Upon completion of the transfer/payment, you may receive a transaction slip ("**Transfer/Payment Record**") from the transacting financial institution confirming the details of your transfer/payment. The **Transfer/Payment Record** is only a record

## LETTER TO OUR SHAREHOLDERS (cont'd)

of the completed transaction and not a record of the receipt of the application via NRS or any data relating to such an application by our Company or Bursa Depository. The Transfer/Payment Record is for your record and is not required to be submitted with your application via NRS.

- (k) You will be notified on the outcome of your application for the Provisional Allotments electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.
- (i) successful subscription – an electronic notification will be sent to you within eight (8) Market Days after the Closing Date; or
  - (ii) unsuccessful/partially successful subscription – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within fifteen (15) Market Days after the Closing Date.

The refund will be credited directly into your bank account(s) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 10.3.4(ii) of this Abridged Prospectus and the required consent in making the subscription for the Provisional Allotments via NRS.

If the crediting of the refund into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk, or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

- (l) Upon crediting of the Rights Shares and Warrants allotted to you into your CDS Account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.
- (m) You should note that all subscription made for the Provisional Allotments submitted under NRS will be irrevocable upon submission of the Rights Shares Subscription File to Bursa Depository and cannot be subsequently withdrawn.

**(ii) Terms and conditions for the subscription for the Provisional Allotments via NRS**

The subscription for the Provisional Allotments via NRS shall be made on, and subject to, the terms of this Abridged Prospectus, Bursa Depository's terms and conditions for NRS and Bursa Depository's user guide for NRS as well as the terms and conditions appearing herein:

- (a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134 of the FSA and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment or

## LETTER TO OUR SHAREHOLDERS (cont'd)

refunds to you, as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.

- (b) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Allotments applied for as stated on your Rights Shares Subscription File in respect of your subscription for the Provisional Allotments via NRS. Your subscription shall signify, and shall be treated as, your acceptance of the number of Rights Shares and Warrants that may be allotted to you.
- (c) You acknowledge that by completing and submitting the Rights Shares Subscription File to Bursa Depository, you, if successful, requests and authorises our Company to credit the Rights Shares and Warrants allotted to you into the respective CDS Account(s) as indicated in the Rights Shares Subscription File.
- (d) You acknowledge that your subscription for the Provisional Allotments via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if:
  - (i) our Company, our Share Registrar or Bursa Depository does not receive your subscription for the Provisional Allotments via NRS; or
  - (ii) the data relating to your subscription for the Provisional Allotments via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made your subscription for the Provisional Allotments and you shall not make any claim whatsoever against our Company, Bursa Depository, our Share Registrar or the relevant financial institution for the subscription for the Provisional Allotments for any compensation, loss or damage relating to the subscription for the Provisional Allotments.

- (e) By completing and submitting the Rights Shares Subscription File to Bursa Depository, you agree that:
  - (i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares and Warrants via the NRS facility established by Bursa Depository, your application via NRS is irrevocable and cannot be subsequently withdrawn;
  - (ii) Our Company, the relevant financial institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your application via NRS due to a

**LETTER TO OUR SHAREHOLDERS** (cont'd)

- breakdown or failure of transmission or communication facilities or to any cause beyond our control;
- (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the electronic notification of allotment in respect of the Rights Shares and Warrants issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares and Warrants; and
  - (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the subscription for the Provisional Allotments via NRS and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (f) Our Share Registrar and Bursa Depository, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

**10.4 Procedures for sale or transfer of Provisional Allotments**

As the Provisional Allotments are prescribed securities which will be traded on Bursa Securities commencing from 18 May 2015 to 5.00 p.m. on 22 May 2015, you may sell all or part of your entitlement to the Rights Shares and Warrants during such period. You may also transfer all or part of your entitlement to the Rights Shares and Warrants from 18 May 2015 to 4.00 p.m. on 27 May 2015.

The Provisional Allotments is renounceable. If you wish to sell or transfer all or part of your Provisional Allotments to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Account(s). To sell or transfer all or part of your entitlement to the Provisional Allotments, you may sell such entitlement in open market or transfer such Provisional Allotments to such person(s) as may be allowed pursuant to the Rules of Bursa Depository.

**IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENTS, YOU NEED NOT DELIVER THE RSF OR ANY DOCUMENT TO THE STOCKBROKER. YOU ARE HOWEVER ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF AS WELL AS ENSURE THAT THERE ARE SUFFICIENT PROVISIONAL ALLOTMENTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT(S) BEFORE SELLING OR TRANSFERRING.**

Renouncee(s)/transferee(s) of the Provisional Allotments may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website (<http://www.bursamalaysia.com>).

If you have sold or transferred only part of the Provisional Allotments, you may still accept the balance of the Provisional Allotments by using the procedures described Section 10.3 of this Abridged Prospectus.

If you sell or transfer your Provisional Allotments, you will automatically be selling or transferring your entitlements to both your Rights Shares and Warrants. You cannot retain the Warrants provisionally allotted to you while selling or transferring the Rights Shares provisionally allotted to you, nor vice-versa.



## LETTER TO OUR SHAREHOLDERS (cont'd)

**10.5 Procedures for acceptance by renounee(s) and/or transferee(s)**

Renounees or transferees who wish to accept the Provisional Allotments must obtain a copy of the RSF from their stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>), our Share Registrar or our Registered Office.

Please complete the RSF in accordance with the notes and instructions printed therein and submit the same together with the remittance to our Share Registrar at the above-stated address.

As a renounee or transferee, the procedures for acceptance, payment, selling and transferring of the Provisional Allotments are the same as that applicable to the Entitled Shareholders as set out in Sections 10.3 and 10.4 of this Abridged Prospectus.

**RENOUNEE(S) AND/OR TRANSFEREE(S) ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND RSF CAREFULLY.**

**10.6 Procedures for application for Excess Rights Shares**

If you are an Entitled Shareholder, you and/or your renounee(s) and/or transferee(s) (if applicable) may apply for Excess Rights Shares in addition to your Provisional Allotments. It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to our Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who have applied for the Excess Rights Shares in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings in AAX as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares applied for; and
- (iv) lastly, for allocation to renounee(s)/transferee(s) (if applicable) who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective Excess Rights Shares applied for.

In the event of an under subscription by the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable), even after all Excess Rights Shares application have been taken into consideration, the remaining unsubscribed Rights Shares will be subscribed by the Joint Underwriters in accordance with the terms and conditions set out in the Underwriting Agreement described in Section 3 of this Abridged Prospectus.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis and the intentions of our Board as set out above is achieved. Our Board reserves the right not to accept or to accept the Excess Rights Shares application in full or in part, without assigning any reason thereof.

**10.6.1 Excess Rights Shares Application by way of RSF**

Please complete Part I(b) of the RSF (in addition to Parts I(a) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares applied for) using the envelope provided (at your own risk) to our Share Registrar at the address set out above, so as to arrive no later than the Closing Date, or such later date and time as our Board, Principal Adviser and Managing

**LETTER TO OUR SHAREHOLDERS** (cont'd)

Underwriter may decide and announce at their absolute discretion not less than two (2) Market Days before the Closing Date.

Payment for the Excess Rights Shares should be made in the same manner as described in Section 10.3 of this Abridged Prospectus, with remittance in the form of banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia and crossed "**A/C PAYEE ONLY**" and made payable to "**AIRASIA X EXCESS RIGHTS ISSUE ACCOUNT**" for the Excess Rights Shares and endorsed on the reverse side(s) with your name and your CDS Account number.

Our Board reserves the right to allot the Excess Rights Shares, if any, applied for under Part I (b) of the RSF on a fair and equitable basis as they deem fit and expedient in the best interest of our Company. Our Board reserves the right to accept any Excess Rights Shares application in part only, without assigning any reason thereto.

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OR RECEIPT BY THE SHARE REGISTRAR. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASONS.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

Notification on the outcome of your application for the Excess Rights Shares will be despatched to you by ordinary post to the address as show in Bursa Depository's records at your own risk within the timeline as follows:

- (i) successful application – a notice of allotment will be despatched within eight (8) Market Days after the Closing Date; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days after the Closing Date.

#### **10.6.2 Excess Rights Shares Application by way of Electronic Application**

If you are a Malaysian individual who is an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any Provisional Allotments, and wish to apply for Excess Rights Shares via Electronic Application in excess of your entitlement, you may do so by following the same steps as set out in Section 10.3.2 of this Abridged Prospectus save and except that you shall proceed with the option for Excess Rights Shares application and the amount payable to be directed to "**AIRASIA X EXCESS RIGHTS ISSUE ACCOUNT**" for the Excess Rights Shares applied.

The Electronic Application for Excess Rights Shares shall be made on, and subject to, the same terms and conditions appearing in Section 10.3.2(iii) of this Abridged Prospectus, as well as the terms and conditions as stated below:

- (i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares applied for as stated on the Transaction Record or any lesser number of Excess Rights Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of such Excess Rights Shares or not to allot any Excess Rights Shares to you, you agree to accept any such decision as final. If your Electronic

**LETTER TO OUR SHAREHOLDERS** (cont'd)

Application is successful, your confirmation (by your action of pressing the pre-designated keys or buttons on the ATM) of the number of Excess Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may be allotted to you.

- (ii) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (iii) Notification on the outcome of your subscription for the Excess Rights Shares will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
  - (a) successful subscription – a notice of allotment will be despatched within eight (8) Market Days after the Closing Date; or
  - (b) unsuccessful/partially successful subscription – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within fifteen (15) Market Days after the Closing Date.

The refund will be credited directly into your bank account with the Participating Financial Institution from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 10.3.2(iii) of this Abridged Prospectus and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

**10.6.3 Excess Rights Shares Application by way of Internet Application**

If you are an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any Provisional Allotments, and wish to apply for Excess Rights Share via Internet Application in excess of your entitlement, you may do so by following the same steps as set out in Section 10.3.3 of this Abridged Prospectus save and except that you shall proceed with the option for Excess Rights Shares application and the amount payable to be directed to "**AIRASIA X EXCESS RIGHTS ISSUE ACCOUNT**" for the Excess Rights Shares applied.

The Internet Application for Excess Rights Shares shall be made on, and subject to, the same terms and conditions appearing in Section 10.3.3(iv) of this Abridged Prospectus, as well as the terms and conditions as stated below:

- (i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares applied for as stated on the Confirmation Screen or any lesser number of Excess Rights Shares that may be allotted to you in respect of your Internet Application. In the event that our Company decides to allot any lesser number of such Excess Rights Shares or not to allot any Excess Rights Shares to you, you agree to accept any such decision as final. If your Internet Application is successful, your confirmation (by your action of clicking the designated hyperlink on the relevant screen of the website) of the number of Excess Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may be allotted to you.
- (ii) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

**LETTER TO OUR SHAREHOLDERS** (cont'd)

- (iii) Notification on the outcome of your subscription for the Excess Rights Shares will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
- (a) successful subscription – a notice of allotment will be despatched within eight (8) Market Days after the Closing Date; or
  - (b) unsuccessful/partially successful subscription – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within fifteen (15) Market Days after the Closing Date.

The refund will be credited directly into your bank account with the Internet Participating Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 10.3.3 of this Abridged Prospectus and the required consent in making your Internet Application.

If the crediting of the refund into your bank account with the Internet Participating Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

**10.6.4 Excess Rights Shares Application by way of NRS**

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any Provisional Allotments, and wish to apply for Excess Rights Shares via NRS in excess of your entitlement, you may do so by following the same steps as set out in Section 10.3.4 of this Abridged Prospectus save and except for the amount payable to be directed to our bank account for the Excess Rights Shares applied and also that you should complete the details for excess rights application at the designated fields for excess applications in the Rights Shares Subscription File. The details of our bank account are as follows:

**Bank : CIMB BANK BERHAD**  
**Account Name : AIRASIA X EXCESS RIGHTS ISSUE ACCOUNT**  
**Bank Account No. : 8007490923**

The application for Excess Rights Shares via NRS shall be made on, and subject to, the same terms and conditions appearing in Section 10.3.4(ii) of this Abridged Prospectus, Bursa Depository's terms and conditions for NRS and user guide for NRS (which are made available to all Authorised Nominees who wish to register for NRS), as well as the terms and conditions as stated below:

- (i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares applied for as stated on the Rights Shares Subscription File or any lesser number of Excess Rights Shares that may be allotted to you in respect of your application via NRS. In the event that our Company decides to allot any lesser number of such Excess Rights Shares or not to allot any Excess Rights Shares with Warrants to you, you agree to accept any such decision as final. If your application via NRS is successful, your submission of the Rights Shares Subscription File to Bursa Depository shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may be allotted to you.
- (ii) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

**LETTER TO OUR SHAREHOLDERS** (cont'd)

- (iii) You will be notified on the outcome of your subscription for the Excess Rights Shares electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.
  - (a) successful subscription – an electronic notification will be sent to you within eight (8) Market Days after the Closing Date; or
  - (b) unsuccessful/partially successful subscription – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days after the Closing Date.

The refund will be credited directly into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 10.3.4(ii) of this Abridged Prospectus and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

**10.7 Form of issuance**

Bursa Securities has already prescribed the AAX Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Bursa Securities has also approved the admission and listing of and quotation for the Warrants on the Main Market of Bursa Securities. Accordingly, the Rights Shares and Warrants are prescribed securities and as such, the SICDA, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository shall apply in respect of the dealings in the said securities.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificate shall be issued to you under the Rights Issue with Warrants. Instead, the Rights Shares and Warrants will be credited directly into your CDS Accounts.

Any person who intends to subscribe for the Rights Shares and Warrants as a renouncee(s) and/or transferee(s) by purchasing the Provisional Allotment from an Entitled Shareholder will have his Rights Shares and Warrants credited directly as prescribed securities into his CDS Account.

The Excess Rights Shares, if allotted to the successful applicant who applies for Excess Rights Shares, will be credited directly as prescribed securities into his CDS Account.

**10.8 Laws of foreign jurisdictions**

The Documents have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any jurisdiction other than Malaysia. The Rights Issue with Warrants to which the Documents relate is only available to Entitled Shareholders receiving the Documents electronically or otherwise within Malaysia.

The Documents are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue with Warrants will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia and

**LETTER TO OUR SHAREHOLDERS** (cont'd)

no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue with Warrants to which the Documents relate is only available to the persons receiving the Documents within Malaysia.

Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

CIMB, the Managing Underwriter, the Joint Underwriters, our Company and our Directors and officers (collectively, the "**Parties**") would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are or may be subject. Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject. The Parties shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, the Documents will not be sent to the Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who do not have a registered address in Malaysia as stated in the Record of Depositors as at the Entitlement Date or who have not provided the Share Registrar with an address in Malaysia for despatch of the Documents by the Entitlement Date. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue with Warrants distribute or send the Documents outside of Malaysia. However, such Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) may collect the Documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Parties in respect of their rights and entitlements under the Rights Issue with Warrants. Such Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing any of the forms in the Documents, the Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) the Parties that:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which those Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are or may be subject to;
- (ii) Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

**LETTER TO OUR SHAREHOLDERS** (cont'd)

- (iii) Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- (iv) Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) are aware that the Provisional Allotments can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) have obtained a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the Parties and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares and Warrants; and
- (vi) Foreign Addressed Shareholders and/or their renounee(s) and/or transferee(s) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares and Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and Warrants.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations.

No person in any territory outside of Malaysia receiving this Abridged Prospectus and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for or acquire any Rights Shares and Warrants unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.

We reserve the right, in our absolute discretion, to treat any acceptance as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Allotments relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares available for excess application by the other Entitled Shareholders. You and/or your renounee(s) and/or transferee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of your, and/or your renounee(s)'s and/or transferee(s)'s entitlement under the Rights Issue with Warrants or to any net proceeds thereof.

**11. TERMS AND CONDITIONS**

The issuance of the Rights Shares and Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in the Documents.

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**LETTER TO OUR SHAREHOLDERS** *(cont'd)*

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**12. FURTHER INFORMATION**

You are requested to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board of  
**AIRASIA X BERHAD**



**DATUK KAMARUDIN BIN MERANUN**  
Non-Independent Non-Executive Director and Group Chief Executive Officer

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**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISE  
PASSED AT OUR EGM HELD ON 27 MARCH 2015**

**AIRASIA X BERHAD**  
 (“AirAsia X” or “the Company”)  
 (Company No. 734161-K)  
 (Incorporated in Malaysia)

Page 1 of 2

**Extract of the Minutes of the Extraordinary General Meeting  
held on 27 March 2015**

**RESOLVED:-****ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM0.15 EACH (“RIGHTS SHARES”) IN AIRASIA X BERHAD (“AAX” OR “THE COMPANY”) TOGETHER WITH FREE DETACHABLE WARRANTS (“WARRANTS”) TO RAISE GROSS PROCEEDS OF UP TO RM395.00 MILLION (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)**

THAT subject to the passing of Ordinary Resolution 2 in relation to the Proposed Increase in Authorised Share Capital of the Company from RM500,000,000.00 comprising 3,333,333,333 ordinary shares of RM0.15 each (“AAX Shares”) to RM1,000,000,000.05 comprising 6,666,666,667 AAX Shares and Special Resolution 1 in relation to the Proposed Amendment to the Company’s Memorandum and Articles of Association and all the requisite consents/approvals of the relevant authorities/parties being obtained, authority be and is hereby given to the Board of Directors (“Board”) to allot (provisionally or otherwise) by way of a renounceable rights issue, such number of Rights Shares and Warrants pursuant to the Proposed Rights Issue with Warrants to raise gross proceeds of up to RM395.00 million to the registered shareholders of the Company whose names appear in the Record of Depositors at the close of business on an entitlement date to be determined and announced later by the Board, on an entitlement basis and at an issue price to be determined and announced later by the Board upon the indicative terms and conditions set out in the circular to shareholders of the Company dated 5 March 2015 (“Circular”).

THAT any Rights Shares and Warrants which are not taken up or validly taken up shall be made available for excess applications on a pro-rata basis to the entitled shareholders and/or their renounee(s) who have applied for the excess Rights Shares and Warrants, based on their respective shareholdings in the Company on the entitlement date to be determined and announced later.

THAT the Board be and is hereby empowered and authorised to disregard and deal with any fractional entitlements and fractions of the Rights Shares and Warrants that may arise from the Proposed Rights Issue with Warrants in such a manner as the Board shall at its absolute discretion deem fit and in the best interest of the Company.

THAT the Rights Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing AAX Shares, except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is before the allotment date of the Rights Shares.

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new AAX Shares to be credited as fully paid-up upon full payment arising from any exercise by the holders of the Warrants of their rights in accordance with the provisions of the deed poll constituting the Warrants to be executed by the Company (“Deed Poll”) and/or any adjustments as set out in the Deed Poll and such new AAX Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing AAX Shares, except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is before the allotment date of such new AAX Shares.

THAT the Board be and is hereby authorised to execute, sign and enter into the Deed Poll with full powers to assent to any conditions, modifications or amendments as they deem fit, necessary or expedient or as may be imposed by any relevant authorities, and full powers to implement and give effect to the terms and conditions of the Deed Poll and in the best interest of the Company.

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISE PASSED AT OUR EGM HELD ON 27 MARCH 2015 (cont'd)**

**AIRASIA X BERHAD**  
 (“AirAsia X” or “the Company”)  
 (Company No. 734161-K)  
 (Incorporated in Malaysia)

Page 2 of 2

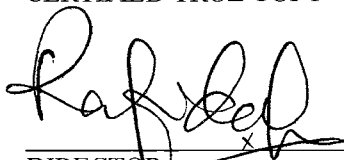
Extract of the Minutes of the Extraordinary General Meeting held on 27 March 2015 - cont'd

**THAT** the Board be and is hereby authorised, from time to time hereafter, to approve and give effect to any adjustments, variations, modifications or amendments to the Deed Poll in accordance with and subject to the terms therein (including but not limited to the exercise price and the number of Warrants), to issue and allot such additional number of Warrants pursuant to the adjustments under the Deed Poll, and to issue and allot such additional number of new AAX Shares to be credited as fully paid-up upon full payment arising from the exercise of such additional Warrants, and all such new AAX Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing AAX Shares, except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is before the allotment date of such new AAX Shares.

**THAT** approval be and is hereby given for the Company to utilise the proceeds of the Proposed Rights Issue with Warrants for the purposes set out in the Circular, and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board shall in its absolute discretion deem fit, necessary, expedient and/or appropriate and in the best interest of the Company, subject to the approval of the relevant authorities, where required.

**AND THAT** the Board be and is hereby authorised to execute or enter into agreements, deeds or arrangements as the Directors may deem necessary or expedient, including but not limited to an underwriting agreement for the underwriting of the Proposed Rights Issue with Warrants, and to take all such necessary steps to give effect to the Proposed Rights Issue with Warrants with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Rights Issue with Warrants and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants in the best interest of the Company.

CERTIFIED TRUE COPY



DIRECTOR  
 TAN SRI RAFIDAH AZIZ (F)



SECRETARY  
 JASMINDAR KAUR A/P SARBAN  
 SINGH (F)  
 (MAICSA 7002687)

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISE  
PASSED AT OUR EGM HELD ON 27 MARCH 2015 (cont'd)**

**AIRASIA X BERHAD**  
 (“AirAsia X” or “the Company”)  
 (Company No. 734161-K)  
 (Incorporated in Malaysia)

Page 1 of 1

**Extract of the Minutes of the Extraordinary General Meeting  
held on 27 March 2015**

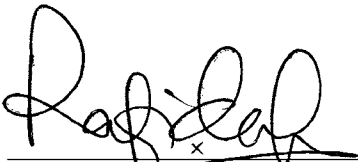
**RESOLVED:-****ORDINARY RESOLUTION 2**


**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF AIRASIA X BERHAD (“AAX” OR “THE COMPANY”) FROM RM500,000,000.00 COMPRISING 3,333,333,333 ORDINARY SHARES OF RM0.15 EACH (“AAX SHARES”) TO RM1,000,000,000.05 COMPRISING 6,666,666,667 AAX SHARES (“PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL”)**

**THAT**, subject to the passing of Special Resolution 1 in relation to the Proposed Amendment to the Company’s Memorandum and Articles of Association, the authorised share capital of the Company be increased from RM500,000,000.00 comprising 3,333,333,333 AAX Shares to RM1,000,000,000.05 comprising 6,666,666,667 AAX Shares.

**AND THAT** the Board of Directors (“Board”) be and is hereby authorised to take all such necessary steps to give effect to the Proposed Increase in Authorised Share Capital with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Increase in Authorised Share Capital and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Increase in Authorised Share Capital.

CERTIFIED TRUE COPY

  
 \_\_\_\_\_  
 DIRECTOR  
 TAN SRI RAFIDAH AZIZ (F)

  
 \_\_\_\_\_  
 SECRETARY  
 JASMIN KAU A/P SARBAN  
 SINGH (F)  
 (MAICSA 7002687)

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISE PASSED AT OUR EGM HELD ON 27 MARCH 2015 (cont'd)**

**AIRASIA X BERHAD**  
 (“AirAsia X” or “the Company”)  
 (Company No. 734161-K)  
 (Incorporated in Malaysia)

Page 1 of 1

**Extract of the Minutes of the Extraordinary General Meeting  
 held on 27 March 2015**

**RESOLVED:-****SPECIAL RESOLUTION 1**

**PROPOSED AMENDMENT TO AIRASIA X BERHAD’S (“AAX” OR “THE COMPANY”) MEMORANDUM AND ARTICLES OF ASSOCIATION (“PROPOSED AMENDMENT”)**

THAT, subject to the passing of Ordinary Resolution 2 in relation to the Proposed Increase in Authorised Share Capital of the Company from RM500,000,000.00 comprising 3,333,333,333 ordinary shares of RM0.15 each (“AAX Shares”) to RM1,000,000,000.05 comprising 6,666,666,667 AAX Shares, the Memorandum and Articles of Association of the Company (“M&A”) be amended in the following manner:

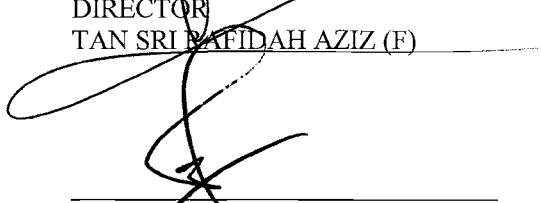
<b>Existing Clause 6 of the Memorandum of Association</b>	<b>Proposed Clause 6 of the Memorandum of Association</b>
The capital of the Company is RM500,000,000.00 divided into 3,333,333,333 ordinary shares of RM0.15 each.	The capital of the Company is RM1,000,000,000.05 divided into 6,666,666,667 ordinary shares of RM0.15 each.

<b>Existing Article 12 of Articles of Association</b>	<b>Proposed Article 12 of Articles of Association</b>
The share capital of the Company is RM500,000,000.00 divided into 3,333,333,333 ordinary shares of RM0.15 each.	The authorised share capital of the Company is RM1,000,000,000.05 divided into 6,666,666,667 ordinary shares of RM0.15 each.

AND THAT the Board of Directors (“Board”) be and is hereby authorised to take all such necessary steps to give effect to the Proposed Amendment with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Amendment and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Amendment.

CERTIFIED TRUE COPY

  
 DIRECTOR  
 TAN SRI HAFIDAH AZIZ (F)

  
 SECRETARY  
 JASMINDAR KAUR A/P SARBAN  
 SINGH (F)  
 (MAICSA 7002687)

## INFORMATION ON OUR COMPANY

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### 1. HISTORY AND BUSINESS

Our Company was incorporated on 19 May 2006 as a private limited company in Malaysia under the Act under the name of Eden Hub Sdn Bhd. Our name was subsequently changed to Fly Asian Xpress Sdn Bhd on 1 June 2006. Our principal activities then were the operation of air services in the rural areas of Sabah and Sarawak (East Malaysia) until 30 September 2007. We changed our name to AirAsia X Sdn Bhd on 21 September 2007 and our Company was converted into a public company and assumed our present name AirAsia X Berhad on 9 October 2012. We were listed on the Main Market of Bursa Securities on 10 July 2013.

The principal activity of our Company is the provision of low-cost, long-haul air transportation services since November 2007.

The principal activities of our subsidiaries and associated companies are set out in Section 5 of this Appendix to the Abridged Prospectus.

### 2. SHARE CAPITAL

#### 2.1 Authorised, issued and paid-up share capital

The authorised and issued and paid-up share capital of our Company as at the LPD is as follows:

	<u>No. of AAX Shares</u>	<u>Par value (RM)</u>	<u>Total (RM)</u>
<b>Authorised</b>			
AAX Shares	6,666,666,667	0.15	1,000,000,000.05
<b>Issued and fully paid-up</b>			
AAX Shares	2,370,370,387	0.15	355,555,558.05

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**INFORMATION ON OUR COMPANY (cont'd)**
**2.2 Changes in authorised, issued and paid-up share capital**
**(i) Authorised Share Capital**

Details of the changes in our authorised share capital for the past three (3) years preceding the LPD are as follows:

<b>Date of change</b>	<b>Authorised share capital before change</b>	<b>Description</b>	<b>Authorised share capital after change</b>
13 May 2013	RM320,000,000.00 comprising 270,000,000 ordinary shares of RM1.00 each and 50,000,000 redeemable convertible preference shares of RM1.00 each ("RCPS")	Cancellation of the entire RCPS	RM270,000,000.00 comprising 270,000,000 ordinary shares of RM1.00 each
13 May 2013	RM270,000,000.00 comprising 270,000,000 ordinary shares of RM1.00 each	Subdivision of the par value of the ordinary share from RM1.00 to RM0.15 each and the increase of the authorised share capital	RM500,000,000.00 comprising 3,333,333,333 Shares
27 March 2015	RM500,000,000.00 comprising 3,333,333,333 Shares	Increase in authorised share capital	RM1,000,000,000.05 comprising 6,666,666,667 Shares

**(ii) Issued and paid-up share capital**

The changes in our Company's issued and paid-up share capital for the past three (3) years preceding the LPD are as follows:

<b>Date of allotment</b>	<b>No. of AAX Shares allotted</b>	<b>Par value (RM)</b>	<b>Consideration / type of issue</b>	<b>Total (cumulative) issued and paid-up share capital</b>
10 May 2013	42,666,667	1.00	Conversion of RCPS	RM266,666,668.00
13 May 2013	1,777,777,787	0.15	Subdivision of shares	RM266,666,668.00
Between 5 July 2013 to 8 July 2013	592,592,600	0.15	Cash	RM355,555,558.05

## APPENDIX II

## INFORMATION ON OUR COMPANY (cont'd)

## 3. SUBSTANTIAL SHAREHOLDERS

The effects of the Rights Issue with Warrants on the shareholdings of our Company's substantial shareholders as at the LPD based on the Assumptions (as set out in Section 8 of this Abridged Prospectus) are as follows:

## Scenario 1

	As at the LPD				I After exercise of Vested ESOS Options				II After I and the Rights Issue with Warrants <sup>(1)</sup>				III After II and the full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tune Group Sdn Bhd	422,630 <sup>(2)</sup>	17.83	-	-	422,630 <sup>(2)</sup>	17.82	-	-	739,603 <sup>(2)</sup>	17.82	-	-	898,089 <sup>(2)</sup>	17.82	-	-
AirAsia Berhad	326,131	13.76	-	-	326,131	13.75	-	-	570,729	13.75	-	-	693,027	13.75	-	-
Tan Sri Dr. Anthony Francis Fernandes	49,888 <sup>(3)</sup>	2.10	748,761 <sup>(5)</sup>	31.59	49,888 <sup>(3)</sup>	2.10	748,761 <sup>(5)</sup>	31.57	87,304 <sup>(3)</sup>	2.10	1,310,332 <sup>(5)</sup>	31.57	106,012 <sup>(3)</sup>	2.10	1,591,116 <sup>(5)</sup>	31.57
Datuk Kamarudin bin Meranun	192,973 <sup>(4)</sup>	8.14	748,761 <sup>(5)</sup>	31.59	192,973 <sup>(4)</sup>	8.14	748,761 <sup>(5)</sup>	31.57	337,703 <sup>(4)</sup>	8.14	1,310,332 <sup>(5)</sup>	31.57	410,068 <sup>(4)</sup>	8.14	1,591,116 <sup>(5)</sup>	31.57
Orix Airline Holdings Limited	124,078	5.23	-	-	124,078	5.23	-	-	217,136	5.23	-	-	263,666	5.23	-	-
Orix Corporation	-	-	124,078 <sup>(6)</sup>	5.23	-	-	124,078 <sup>(6)</sup>	5.23	-	-	217,136 <sup>(6)</sup>	5.23	-	-	263,666 <sup>(6)</sup>	5.23
Orix Aviation Systems Limited	-	-	124,078 <sup>(6)</sup>	5.23	-	-	124,078 <sup>(6)</sup>	5.23	-	-	217,136 <sup>(6)</sup>	5.23	-	-	263,666 <sup>(6)</sup>	5.23

**Notes:**

- <sup>(1)</sup> The Undertaking Shareholders to subscribe for their respective entitlements in full pursuant to their Undertakings and assuming Orix Airline Holdings Limited subscribes for its entitlement in full under the Rights Issue with Warrants.
- <sup>(2)</sup> Shares held through own name, Kenanga Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd.
- <sup>(3)</sup> Shares held through own name and HSBC Nominees (Tempatan) Sdn Bhd.
- <sup>(4)</sup> Shares held through own name, HSBC Nominees (Tempatan) Sdn Bhd and Cimsec Nominees (Tempatan) Sdn Bhd.
- <sup>(5)</sup> Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in Tune Group Sdn Bhd and AirAsia Berhad.
- <sup>(6)</sup> Deemed interested by virtue of their shareholding interests in Orix Airline Holdings Limited pursuant to Section 6A of the Act.

## APPENDIX II

## INFORMATION ON OUR COMPANY (cont'd)

## Scenario 2

	As at the LPD				I After the Rights Issue with Warrants <sup>(1)</sup>				II After I and the exercise of the adjusted Vested ESOS Options				III After II and the full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
Tune Group Sdn Bhd	422,630 <sup>(2)</sup>	17.83	-	-	739,603 <sup>(2)</sup>	17.83	-	-	739,603 <sup>(2)</sup>	17.82	-	-	898,089 <sup>(2)</sup>	17.82	-	-
AirAsia Berhad	326,131	13.76	-	-	570,729	13.76	-	-	570,729	13.75	-	-	693,027	13.75	-	-
Tan Sri Dr. Anthony Francis Fernandes	49,888 <sup>(3)</sup>	2.10	748,761 <sup>(5)</sup>	31.59	87,304 <sup>(3)</sup>	2.10	1,310,332 <sup>(5)</sup>	31.59	87,304 <sup>(3)</sup>	2.10	1,310,332 <sup>(5)</sup>	31.57	106,012 <sup>(3)</sup>	2.10	1,591,116 <sup>(5)</sup>	31.57
Datuk Kamarudin bin Meranun	192,973 <sup>(4)</sup>	8.14	748,761 <sup>(5)</sup>	31.59	337,703 <sup>(4)</sup>	8.14	1,310,332 <sup>(5)</sup>	31.59	337,703 <sup>(4)</sup>	8.14	1,310,332 <sup>(5)</sup>	31.57	410,068 <sup>(4)</sup>	8.14	1,591,116 <sup>(5)</sup>	31.57
Orix Airline Holdings Limited	124,078	5.23	-	-	217,136	5.23	-	-	217,136	5.23	-	-	263,666	5.23	-	-
Orix Corporation	-	-	124,078 <sup>(6)</sup>	5.23	-	-	217,136 <sup>(6)</sup>	5.23	-	-	217,136 <sup>(6)</sup>	5.23	-	-	263,666 <sup>(6)</sup>	5.23
Orix Aviation Systems Limited	-	-	124,078 <sup>(6)</sup>	5.23	-	-	217,136 <sup>(6)</sup>	5.23	-	-	217,136 <sup>(6)</sup>	5.23	-	-	263,666 <sup>(6)</sup>	5.23

**Notes:**

<sup>(1)</sup> The Undertaking Shareholders to subscribe for their respective entitlements in full pursuant to their Undertakings and assuming Orix Airline Holdings Limited subscribes for its entitlement in full under the Rights Issue with Warrants.

<sup>(2)</sup> Shares held through own name, Kenanga Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd.

<sup>(3)</sup> Shares held through own name and HSBC Nominees (Tempatan) Sdn Bhd.

<sup>(4)</sup> Shares held through own name, HSBC Nominees (Tempatan) Sdn Bhd and Cimsec Nominees (Tempatan) Sdn Bhd.

<sup>(5)</sup> Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in Tune Group Sdn Bhd and AirAsia Berhad.

<sup>(6)</sup> Deemed interested by virtue of their shareholding interests in Orix Airline Holdings Limited pursuant to Section 6A of the Act.



## APPENDIX II

## INFORMATION ON OUR COMPANY (cont'd)

## 4. DIRECTORS' SHAREHOLDING

The effects of the Rights Issue with Warrants on the shareholdings of our Directors as at the LPD based on the Assumptions (as set out in Section 8 of this Abridged Prospectus) are as follows:

## Scenario 1

	As at the LPD				I After exercise of Vested ESOS Option				II After I and the Rights Issue with Warrants <sup>(1)</sup>				III After II and the full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Sri Rafidah Aziz	100 <sup>(2)</sup>	-	100 <sup>(3)</sup>	-	100 <sup>(2)</sup>	-	100 <sup>(3)</sup>	-	175 <sup>(2)</sup>	-	175 <sup>(3)</sup>	-	213 <sup>(2)</sup>	-	213 <sup>(3)</sup>	-
Tan Sri Dr. Anthony Francis Fernandes	49,888 <sup>(4)</sup>	2.10	748,761 <sup>(5)</sup>	31.59	49,888 <sup>(4)</sup>	2.10	748,761 <sup>(5)</sup>	31.57	87,304 <sup>(4)</sup>	2.10	1,310,332 <sup>(5)</sup>	31.57	106,012 <sup>(4)</sup>	2.10	1,591,116 <sup>(5)</sup>	31.57
Datuk Kamarudin Bin Meranun	192,973 <sup>(6)</sup>	8.14	748,761 <sup>(5)</sup>	31.59	192,973 <sup>(6)</sup>	8.14	748,761 <sup>(5)</sup>	31.57	337,703 <sup>(6)</sup>	8.14	1,310,332 <sup>(5)</sup>	31.57	410,068 <sup>(6)</sup>	8.14	1,591,116 <sup>(5)</sup>	31.57
Dato' Seri Kalimullah Bin Masheerul Hassan	102,935 <sup>(7)</sup>	4.34	-	-	102,935 <sup>(7)</sup>	4.34	-	-	180,136 <sup>(7)</sup>	4.34	-	-	218,737 <sup>(7)</sup>	4.34	-	-
Dato' Fam Lee Ee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lim Kian Onn	112,448 <sup>(8)</sup>	4.74	600 <sup>(9)</sup>	0.03	112,448 <sup>(8)</sup>	4.74	600 <sup>(9)</sup>	0.03	196,784 <sup>(8)</sup>	4.74	1,050 <sup>(9)</sup>	0.03	238,952 <sup>(8)</sup>	4.74	1,275 <sup>(9)</sup>	0.03
Kiyotaka Tanaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tan Sri Asmat Bin Kamaludin	100 <sup>(2)</sup>	-	-	-	100 <sup>(2)</sup>	-	-	-	175 <sup>(2)</sup>	-	-	-	213 <sup>(2)</sup>	-	-	-
Dato' Yusli Bin Mohamed Yusoff	100 <sup>(2)</sup>	-	-	-	100 <sup>(2)</sup>	-	-	-	175 <sup>(2)</sup>	-	-	-	213 <sup>(2)</sup>	-	-	-

## Notes:

\* Negligible

<sup>(1)</sup> Assuming all Undertaking Shareholders subscribe for their respective entitlements in full pursuant to their Undertakings and the respective Directors' direct and indirect shareholdings subscribe for their respective entitlements in full.

<sup>(2)</sup> Shares held through Cimsec Nominees (Tempatan) Sdn Bhd.

**INFORMATION ON OUR COMPANY (cont'd)**

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- <sup>(3)</sup> *Deemed interested by virtue of Section 134(12)(c) of the Act held by her deceased spouse, Tan Sri Mohamed Basir Bin Ahmad.*
- <sup>(4)</sup> *Shares held through own name and HSBC Nominees (Tempatan) Sdn Bhd.*
- <sup>(5)</sup> *Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in Tune Group Sdn Bhd and AirAsia Berhad.*
- <sup>(6)</sup> *Shares held through own name, Cimsec Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd.*
- <sup>(7)</sup> *Shares held through Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd.*
- <sup>(8)</sup> *Shares held through own name and HSBC Nominees (Tempatan) Sdn Bhd.*
- <sup>(9)</sup> *Deemed interested by virtue of Section 134(12)(c) of the Act held by Quek Siow Leng (spouse), Gareth Lim Tze Xiang (child) and Caryn Lim Su Yin (child).*

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## APPENDIX II

## INFORMATION ON OUR COMPANY (cont'd)

## Scenario 2

	As at the LPD				I After the Rights Issue with Warrants <sup>(1)</sup>				II After I and the exercise of the adjusted Vested ESOS Options				III After II and the full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
Tan Sri Rafidah Aziz	100 <sup>(2)</sup>	-*	100 <sup>(3)</sup>	-*	175 <sup>(2)</sup>	-*	175 <sup>(3)</sup>	-*	175 <sup>(2)</sup>	-*	175 <sup>(3)</sup>	-*	213 <sup>(2)</sup>	-*	213 <sup>(3)</sup>	-*
Tan Sri Dr. Anthony Francis Fernandes	49,888 <sup>(4)</sup>	2.10	748,761 <sup>(5)</sup>	31.59	87,304 <sup>(4)</sup>	2.10	748,761 <sup>(5)</sup>	31.57	87,304 <sup>(4)</sup>	2.10	1,310,332 <sup>(5)</sup>	31.57	106,012 <sup>(4)</sup>	2.10	1,591,116 <sup>(5)</sup>	31.57
Datuk Kamarudin Bin Meranun	192,973 <sup>(5)</sup>	8.14	748,761 <sup>(5)</sup>	31.59	337,703 <sup>(6)</sup>	8.14	748,761 <sup>(5)</sup>	31.57	337,703 <sup>(6)</sup>	8.14	1,310,332 <sup>(5)</sup>	31.57	410,068 <sup>(6)</sup>	8.14	1,591,116 <sup>(5)</sup>	31.57
Dato' Seri Kalimullah Bin Masheerul Hassan	102,935 <sup>(7)</sup>	4.34	-	-	180,136 <sup>(7)</sup>	4.34	-	-	180,136 <sup>(7)</sup>	4.34	-	-	218,737 <sup>(7)</sup>	4.34	-	-
Dato' Fam Lee Ee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lim Kian Onn	112,448 <sup>(8)</sup>	4.74	600 <sup>(9)</sup>	0.03	196,784 <sup>(8)</sup>	4.74	1,050 <sup>(9)</sup>	0.03	196,784 <sup>(8)</sup>	4.74	1,050 <sup>(9)</sup>	0.03	238,952 <sup>(8)</sup>	4.74	1,275 <sup>(9)</sup>	0.03
Kiyotaka Tanaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tan Sri Asmat Bin Kamaludin	100 <sup>(2)</sup>	-*	-	-	175 <sup>(2)</sup>	-*	-	-	175 <sup>(2)</sup>	-*	-	-	213 <sup>(2)</sup>	-*	-	-
Dato' Yusli Bin Mohamed Yusoff	100 <sup>(2)</sup>	-*	-	-	175 <sup>(2)</sup>	-*	-	-	175 <sup>(2)</sup>	-*	-	-	213 <sup>(2)</sup>	-*	-	-

**Notes:**

\* Negligible

<sup>(1)</sup> Assuming all Undertaking Shareholders subscribe for their respective entitlements in full pursuant to their Undertakings and the respective Directors' direct and indirect shareholdings subscribe for their respective entitlements in full.

<sup>(2)</sup> Shares held through Cimsec Nominees (Tempatan) Sdn Bhd.

<sup>(3)</sup> Deemed interested by virtue of Section 134(12)(c) of the Act held by her deceased spouse, Tan Sri Mohamed Basir Bin Ahmad.

<sup>(4)</sup> Shares held through own name and HSBC Nominees (Tempatan) Sdn Bhd.

<sup>(5)</sup> Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in Tune Group Sdn Bhd and AirAsia Berhad.

<sup>(6)</sup> Shares held through own name, Cimsec Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd.

**INFORMATION ON OUR COMPANY (cont'd)**

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- <sup>(7)</sup> *Shares held through Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd.*
- <sup>(8)</sup> *Shares held through own name and HSBC Nominees (Tempatan) Sdn Bhd.*
- <sup>(9)</sup> *Deemed interested by virtue of Section 134(12)(c) of the Act held by Quek Siow Leng (spouse), Gareth Lim Tze Xiang (child) and Caryn Lim Su Yin (child).*

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## INFORMATION ON OUR COMPANY (cont'd)

## 5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiaries and associated companies of our Company as at the LPD are as follows:

Company	Date / Place of incorporation	Issued and paid-up share capital	Effective equity interest	Principal activities
			%	
<b><u>Subsidiary Companies</u></b>				
AirAsia X Services Pty Ltd	4 January 2010 / Australia	AUD1.00 comprising 1 ordinary share of AUD1.00	100	Provision of management logistical and marketing services in Australia
AAX Capital Ltd	21 June 2010 / Federal Territory of Labuan	USD2.00 comprising of 2 ordinary shares	100	Investment holding
AAX Leasing I Limited	16 August 2011 / Federal Territory of Labuan	USD1.00 comprising of 1 ordinary share	100	Engine leasing
AAX Mauritius One Ltd	16 December 2013 / Mauritius	USD 1.00 comprising of 1 ordinary share	100	Aircraft leasing facilities
AAX Capital II Ltd	20 October 2014 / Federal Territory of Labuan	USD1.00 comprising of 1 ordinary share	100	Issuance of convertible bond
Fly X Limited*	28 April 2014 / Federal Territory of Labuan	USD1.00 comprising of 1 ordinary share	100	Pre-delivery payment financing
<b><u>Associated Companies</u></b>				
Thai AirAsia X Co., Ltd	12 March 2013 / Thailand	THB15.00 comprising 3 shares of THB5.00 each	49	Passenger and cargo commercial air transportation
PT. Indonesia AirAsia Extra	13 August 2013 / Indonesia	USD 1.00 equivalent to IDR 9,765.00	49	Provision of low-cost, long-haul air transportation services in Indonesia

**Note:**

\* ZICO Trust Limited is the nominee shareholder of AAX.

## INFORMATION ON OUR COMPANY (cont'd)

## 6. PROFIT AND DIVIDEND RECORD

Our profit and dividend record based on our audited financial statements for the last three (3) financial years from the FYE 31 December 2012 to 31 December 2014 are set out below.

	Audited FYE 31 December		
	2012	2013	2014
	RM '000	RM '000	RM '000
<b>Revenue</b>			
- Scheduled flights	1,281,778	1,404,651	1,630,119
- Charter flights	67,848	107,001	171,633
- Fuel surcharge	148,226	253,839	344,133
- Freight and cargo	79,267	90,018	113,878
- Ancillary revenue	363,934	452,494	586,485
- Management fees	364	347	1,143
- Aircraft operating lease income	-	-	89,336
- Other revenue	26,010	-	-
Total revenue	1,967,427	2,308,350	2,936,727
<b>Operating expenses</b>			
- Staff costs	(180,498)	(233,601)	(313,018)
- Depreciation of property, plant and equipment	(107,097)	(120,558)	(180,730)
- Aircraft fuel expenses	(925,294)	(1,101,216)	(1,519,924)
- Maintenance, overhaul, user charges and other related expenses	(381,545)	(451,369)	(638,167)
- Aircraft operating lease expenses	(152,408)	(186,663)	(337,978)
- Other operating expenses	(178,598)	(203,461)	(313,954)
<b>Other income</b>	6,981	20,401	190,744
Share of results of an associate	-	(502)	(19,516)
Share of results of a jointly controlled entity	-	-	(16,322)
Operating profit/(loss)	48,968	31,381	(212,138)
Finance income	1,876	3,611	6,349
Finance costs	(56,438)	(76,422)	(159,658)
Foreign exchange gain/(losses) on borrowings	43,599	(176,171)	(136,921)
Other gain/(loss)	-	5,541	(102,993)
Profit/(Loss) before taxation	38,005	(212,060)	(605,361)
<b>Taxation</b>	(4,155)	123,793	85,918
<b>Net profit/(loss) for the financial year</b>	<b>33,850</b>	<b>(88,267)</b>	<b>(519,443)</b>
Earnings before interest, taxation, depreciation and amortisation	156,065	151,939	(31,408)
Gross Profit/ (loss)	156,065	151,939	(31,408)
<b>Attributable to:</b>			
Equity holders of the Company (PATAMI)	33,850	(88,267)	(519,443)
<b>Weighted average number of Shares in issue ('000):</b>	266,667	1,309,305	2,370,370
<b>EPS (sen):</b>			
- basic and diluted	12.7	(6.7)	(21.9)
<b>Profit margin:</b>			
Gross profit/(loss) margin (%)	7.9	6.6	(1.1)
Net profit margin (PATAMI) (%)	1.7	(3.8)	(17.7)
<b>Dividend per Share (sen)</b>	-	-	-

**INFORMATION ON OUR COMPANY (cont'd)**


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**Commentary on Financial Performance**
**FYE 2014 compared with FYE 2013**
**Revenue**

Our Group's revenue increased to RM2,936.73 million in FYE 2014 from RM2,308.35 million achieved in FYE 2013, an increase of 27.2%. The number of passenger carried increased by 33.9% from 3.16 million in FYE 2013 to 4.23 million passengers in FYE 2014. However, RASK reduced 0.3% from 12.06 sen to 12.02 sen in FYE 2014 mainly due to the lower average passenger fares as our Group introduced more promotional fares on newly launched routes during the year and load factor was flat at 82.0% versus 82.1% in FYE 2013. The breakdown of revenue segments are as follows:

- Scheduled flights net revenue inclusive of fuel surcharges increased by 19.0% to RM1,974.25 million in FYE 2014 against RM1,658.50 million in FYE 2013, on the back of increased ASK capacity.
- Charters revenue improved to RM171.63 million in FYE 2014 as compared to RM107.00 million in the FYE 2013 was attributed by higher demand for charters.
- Freight and cargo revenue has increased by 26.5% to RM113.88 million in FYE 2014 as compared to RM90.02 million in FYE 2013 due to improvement of 19.8% in ATK and 2.5% in FTK in FYE 2014.
- Ancillary revenue including AirAsia Insure increased to RM591.61 million, or by approximately 29.1%, for FYE 2014 as compared to RM458.34 million recorded in FYE 2013. The improvement was primarily due to the increased number of passengers flown.
- Aircraft operating lease income has recorded RM89.34 million in FYE 2014 and nil in FYE 2013. It relates to lease of aircraft to an associate and jointly controlled company.

**Operating Expenses**

Our Group's operating expenses in FYE 2014 increased by 43.8% to RM3,303.77 million compared to RM2,296.87 million in FYE 2013 mainly due to the followings:

- Staff costs increased by 34.0% in FYE 2014 to RM313.02 million as compared to RM233.60 million in FYE 2013 attributed by the increase in headcount as a result of introduction of additional route and annual increment.
- Depreciation of property, plant and equipment increased by 50.0% to RM180.73 million in FYE 2014 as our Group took delivery of four new A330-300 aircraft under finance lease after the quarter ended 31 March 2013.
- Aircraft fuel expenses increased by 38.0% to RM1,519.92 million in FYE 2014 as compared to RM1,101.22 million in the previous year primarily due to the surge in fuel consumed on the back of increased sectors flown in FYE 2014.
- Maintenance, overhaul, user charges and other related expenses increased by 41.4% to RM638.17 million in FYE 2014 from RM451.37 million in FYE 2013. The increase was resulted mainly from the maintenance and service costs for additional aircraft delivered and new charter flights rendered in FYE 2014.
- Aircraft operating lease has increased by 81.1% to RM338.00 million in FYE 2014 as compared to RM186.66 million in FYE 2013, due to the addition of six operating lease

**INFORMATION ON OUR COMPANY (cont'd)**

aircraft taken during the year and additional two aircraft sales and leaseback which was taken up in November 2014.

- Other operating expenses increased by 54.3% to RM313.95 million in FYE 2014 from RM203.46 million in FYE 2013, primarily due to higher unrealised foreign exchange loss from operations as a result of the strengthening of USD against the RM and higher marketing and promotional expenditures.

**Other Income**

Other income has increased from RM20.40 million in FYE 2013 to RM190.74 million in FYE 2014. The increase due to gain on the disposal of aircraft and engine pursuant to sales and leaseback arrangement amounting to RM121.58 million in FYE 2014.

**Other Gain / (Loss)**

As a result of the weakening of the RM, our Group recognised fair value loss on fuel hedging contracts of RM103.00 million in FYE 2014 as compared to a gain of RM5.54 million in FYE 2013.

**Finance Cost**

Finance cost increased by 108.9% to RM159.66 million in FYE 2014 compared to RM76.42 million in FYE 2013 primarily due to additional financing for new aircraft.

**Foreign Exchange Gain / (Loss)**

As a result of the weakening of the RM, our Group recognised foreign exchange losses on borrowings of RM136.92 million of which RM58.55 million is unrealised foreign exchange loss and the balance of RM78.37 million is the fair value movement recycled from cash flow hedge reserve and others. As for FYE 2013, our Group recognised foreign exchange losses on borrowings of RM176.17 million of which RM118.60 million is unrealised foreign exchange loss and fair value movement on cash flow hedge reserve and others of RM57.57 million.

**Share of results of an associate**

Our Group recorded share of loss from an associate, Thai AirAsia X Co., Ltd, amounting to RM19.52 million in FYE 2014 compared to loss of RM0.50 million in FYE 2013. Thai AirAsia X Co., Ltd commenced operation only in FYE 2014.

**Share of results of a jointly controlled entity**

Our Group recorded share of loss from a jointly controlled entity, namely PT Indonesia AirAsia Extra, amounting to RM16.32 million in FYE 2014. PT Indonesia AirAsia Extra had yet to commence operations in FYE 2014.

**Taxation**

Our Group recognised a net tax allowance of RM85.92 million in FYE 2014, as compared to RM123.79 million in FYE 2013, due primarily to the impact of reversal of income tax allowance recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance in 31 December 2013 and change in statutory tax rate in year assessment 2016.

**Profit/ (Loss) After Tax**

As a result of the factors set forth above, our Group recognised a loss after tax of RM519.44 million in FYE 2014 as compared to loss after tax of RM88.27 million in the FYE 2013.



**INFORMATION ON OUR COMPANY (cont'd)**
**FYE 2013 compared with FYE 2012**
**Revenue**

Our Group's revenue increased to RM2,308.35 million in FYE 2013 from RM1,967.43 million achieved in FYE 2012, an increase of 17.3%. The number of passenger carried increased by 22.5% from 2.58 million in FYE 2012 to 3.16 million passengers in FYE 2013. The RASK increased 0.5% from 12.00 sen to 12.06 sen in FYE 2013 mainly as a result of route network consolidation exercise undertaken and load factor marginally reduced from 83.8% to 82.1% in FYE 2013. The breakdown of revenue segments are as follows:

- Scheduled flights net revenue inclusive of fuel surcharges increased by 16.0% to RM1,658.49 million in FYE 2013 against RM1,430.00 million in FYE 2012. This increase was due primarily to an improvement on ASKs and RPKs by 19.1% and 16.9% respectively from 16.2 billion and 13.6 billion in FYE 2012 to 19.3 billion and 15.9 billion respectively in FYE 2013.
- Charters revenue improved to RM107.00 million in FYE 2013 as compared to RM67.85 million in FYE 2012 was attributed by higher demand for charters.
- Freight and cargo revenue has increased by 13.5% to RM90.00 million in FYE 2013 as compared to RM79.27 million in FYE 2012 due to improvement of 4.7% in ATK and 9.1% in FTK in FYE 2013.
- Ancillary revenue including AirAsia Insure increased to RM458.34 million, or by approximately 24.7%, for FYE 2013 as compared to RM367.43 million recorded in FYE 2012. The improvement was primarily due to the increased number of passengers flown.

**Operating Expenses**

Our Group's operating expenses for FYE 2013 increased by 19.3% to RM2,296.87 million compared to RM1,925.44 million in FYE 2012 mainly due to following:

- Staff costs increased by 29.4% in FYE 2013 to RM233.60 million as compared to RM180.50 million in FYE 2012 attributed by increase in headcount as result of introduction of additional route and annual increment.
- Depreciation of property, plant and equipment cost increased by 12.6% to RM120.56 million in FYE 2013 as our Group took delivery of three new A330-300 aircraft under finance lease.
- Aircraft fuel expenses increased by 19.0% to RM1,101.22 million in FYE 2013 as compared to RM925.29 million in FYE 2012 was primarily due to the surge in fuel consumed on the back of increased sectors flown in FYE 2013 and higher average fuel price.
- Maintenance, overhaul, user charges and other related expenses increased by 18.3% to RM451.37 million in FYE 2013 from RM381.55 million in FYE 2012. The increase resulted mainly from the maintenance and service costs for additional aircraft delivered and new charter flights rendered in FYE 2013.
- Aircraft operating lease increased by 22.5% to RM186.66 million in FYE 2013 as compared to RM152.41 million in FYE 2012, due to the addition of four operating lease aircraft taken during the year.

**INFORMATION ON OUR COMPANY (cont'd)**

- Other operating expenses increased by 13.9% to RM203.46 million in FYE 2013 from RM178.60 million in FYE 2012, due primarily to an upfront recognition of a non-recurring shareholders' inaugural benefit program expenses and our initial public offering related expenses as well as an increase in marketing and promotional expenses.

**Other Income**

Other income recorded RM20.40 million in FYE 2013 compared to RM7.00 million in FYE 2012, the increase mainly due to incentive received from certain airport authorities.

**Other Gain**

Other gain recorded RM5.54 million in FYE 2013 represent the unrealised gain arising from fuel contracts and nil in FYE 2012.

**Finance Cost**

Finance cost increased by 35.4% to RM76.42 million in FYE 2013 compared to RM56.44 million FYE 2012 primarily due to additional financing for new aircraft.

**Foreign Exchange Gain / (Loss)**

As a result of the weakening of the RM, our Group recognised foreign exchange loss on borrowings of RM176.17 million whereby RM118.60 million represents unrealized foreign exchange loss and the fair value movement recycled from cash flow hedge reserve and others of RM57.57 million. As for FYE 2012, our Group recognised unrealised foreign exchange gain on borrowings of RM43.45 million and realised foreign exchange losses amounting to RM0.15 million.

**Taxation**

Our Group recognised a net tax allowance of RM123.79 million in FYE 2013, as compared to net tax expenses of RM4.16 million in FYE 2012, due primarily to income tax exemptions recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance in 31 December 2013.

**Profit / (Loss) After Tax**

As a result of the factors set forth above, our Group recognised a loss after tax of RM88.27 million in FYE 2013 as compared to profit after tax of RM33.85 million in the FYE 2012.

**FYE 2012 compared with FYE 2011****Revenue**

Our Group revenue increased to RM1,967.43 million in FYE 2012 from RM1,862.38 million achieved in FYE 2011, an increase of 5.6%. The number of passenger carried increased by 2.0% from 2.53 million in FYE 2011 to 2.58 million passengers in FYE 2012. The RASK increased by 13.3% from 10.59 sen to 12.00 sen in FYE 2012. The load factor was increased from 80.1% to 83.8% in FYE 2012 due to increase in maturity of our route network. The breakdown of revenue segments are as follows:-

- Scheduled flights net revenue inclusive of fuel surcharges reduced marginally by 1.7% to RM1,430.00 million in FYE 2012 against RM1,454.19 million in FYE 2011, due to reduction in ASK capacity as a result of discontinuation in three routes.

**INFORMATION ON OUR COMPANY (cont'd)**

- Charters revenue improved to RM67.85 million in FYE 2012 as compared to RM4.22 million in the FYE 2011 due to the wet lease of two aircraft which was previously servicing the discontinued routes.
- Freight and cargo revenue decreased by 17.8% to RM79.27 million in FYE 2012 as compared to RM96.47 million in FYE 2011, reflecting both a 1.8% decrease in ATK and 18.5% decrease in FTK in FYE 2012.
- Ancillary revenue including AirAsia Insure increased to RM367.43 million, or by approximately 18.5%, for FYE 2012 as compared to RM310.00 million recorded in FYE 2011. The improvement was primarily due to the increased number of passengers flown and revision to our rates on the ancillary products.

**Operating Expenses**

Our Group's operating expenses for FYE 2012 decreased by 0.6% to RM1,925.44 million compared to RM1,936.77 million in FYE 2011 mainly due to the followings:-

- The staff costs increased by 13.9% in FYE 2012 to RM180.50 million as compared to RM158.42 million in FYE 2011 attributed to annual increments, increased in cabin crew productivity allowance and the accrual of balance leave liability in FYE 2012.
- Depreciation of property, plant and equipment cost increased by 2.2% to RM107.10 million in FYE 2012 which reflects the same number of operational aircraft held under finance lease during these years.
- Aircraft fuel expenses decreased by 9.1% to RM925.29 million in FYE 2012 as compared to RM1,018.43 million in the previous year primarily due to decreased fuel consumption as a result of the discontinued routes and which is partially offset by the increase in the average fuel price in FYE 2012 compared to FYE 2011.
- Maintenance, overhaul, user charges and other related expenses increased by 24.6% to RM381.55 million in FYE 2012 from RM306.16 million in FYE 2011. The increase was primarily due to cost of re-accommodating passengers from discontinued routes in FYE 2012 which amounting to RM42.33 million.
- Aircraft operating lease increased by 4.5% to RM152.41 million in FYE 2012 as compared to RM145.80 million in FYE 2011 due to aircraft lease credit received in FYE 2011 which was not received in FYE 2012.
- Other operating expenses decreased by 12.1% to RM178.60 million in FYE 2012 from RM203.13 million in FYE 2011, primarily due to decreased in marketing and promotional expenses.

**Other Income**

Other income decreased to RM7.00 million in FYE 2012 compared to RM14.28 million in FYE 2011, mainly due to gain on the disposal of aircraft and engine pursuant to sales and leaseback arrangements in FYE 2011.

**Finance Cost**

Finance cost increased by 8.0% to RM56.44 million in FYE 2012 compared to RM52.25 million FYE 2011 due to facilities fees paid in connection with a new revolving credit facility secured in 2012.

**INFORMATION ON OUR COMPANY (cont'd)**

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**Foreign Exchange Gains / (Losses)**

As a result of the weakening USD against the RM in FYE 2012, our Group recognised unrealised foreign exchange gains on borrowings of RM43.60 million as compared to unrealised foreign exchange loss on borrowings of RM25.08 million in FYE 2011. As at FYE 2012, our Group does not have any form of currency hedging arrangements in place with respect of our USD-denominated borrowings.

**Taxation**

Our Group recognised a net tax expense of RM4.16 million in FYE 2012, as compared to net tax allowance of RM34.81 million in FYE 2011 which was primarily due to profit before tax amounting to RM38.00 million generated in FYE 2012 compared to loss before tax of RM131.43 million in FYE 2011.

**Profit / (Loss) After Tax**

As a result of the factors set forth above, our Group recognised a profit after tax of RM33.85 million in FYE 2012 as compared to loss after tax of RM96.63 million in the FYE 2011.

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INFORMATION ON OUR COMPANY (*cont'd*)**7. HISTORICAL SHARE PRICES**

The monthly high and low prices of AAX Shares traded on the Main Market of Bursa Securities from May 2014 up to April 2015 are as follows:

	High	Low
	RM	RM
<b>2014</b>		
May	0.87	0.74
June	0.76	0.70
July	0.85	0.69
August	0.90	0.73
September	0.87	0.75
October	0.80	0.69
November	0.83	0.61
December	0.73	0.61
<b>2015</b>		
January	0.70	0.63
February	0.65	0.57
March	0.58	0.46
April	0.47	0.41
Last transacted market price of AAX Shares on 29 January 2015, being the last trading day prior to the date of announcement on 30 January 2015 of the Rights Issue with Warrants		0.66
Last transacted market price of AAX Shares as at the LPD		0.44
Last transacted market price of AAX Shares on 12 May 2015, being the last trading day prior to the ex-date for the Rights Issue with Warrants		0.41

(Source: Bloomberg Finance L.P.)

**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER**

The Board of Directors  
AirAsia X Berhad  
B-13-15, Level 13  
Menara Prima Tower B  
Jalan PJU 1/39, Dataran Prima  
47301 Petaling Jaya  
Selangor Darul Ehsan

30 April 2015

PwC/IM/HC/aax

Dear Sirs,

**Report on the Compilation of Pro Forma Consolidated Balance Sheets**

- 1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Balance Sheets of AirAsia X Berhad (“AAX” or “the Company”) and its subsidiaries (“AAX Group” or “the Group”) as at 31 December 2014. The Pro Forma Consolidated Balance Sheets which are set out in the Appendix (which we have stamped for the purpose of identification), have been compiled by the Directors of the Company for inclusion in the Abridged Prospectus to be dated 15 May 2015 in connection with the renounceable rights issue of up to 1,779,071,540 new ordinary shares of RM0.15 each in AAX together with up to 889,535,770 free detachable warrants, on the basis of 3 rights shares for every 4 existing AAX shares held as at 5.00 p.m. on 15 May 2015 (“Entitlement Date”) and 1 warrant for every 2 rights shares subscribed for by the entitled shareholders at an issue price of RM0.22 per right share (“the Proposal”).
- 2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Balance Sheets are described in the notes to the Appendix and are specified in Appendix 4 of the *Prospectus Guidelines – Abridged Prospectus* issued by the Securities Commission.
- 3 The Pro Forma Consolidated Balance Sheets have been compiled by the Directors, for illustrative purposes only, to show the effects of the Proposal on the audited consolidated balance sheet of the Group as at 31 December 2014 had the Proposal been effected on that date. As part of this process, information about the Group’s consolidated balance sheet has been extracted by the Directors from the Group’s audited consolidated balance sheet as at 31 December 2014.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,  
Level 10, 1 Sentral, Jalan Rakyat, 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](http://www.pwc.com/my)

**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

**The Board of Directors  
AirAsia X Berhad  
PwC/IM/HC/aax  
30 April 2015**

**The Directors' Responsibility for the Pro Forma Consolidated Balance Sheets**

- 4 The Directors are responsible for compiling the Pro Forma Consolidated Balance Sheets on the basis set out in the notes to the Appendix and in accordance with the requirements of the *Prospectus Guidelines – Abridged Prospectus*.

**Our Responsibilities**

- 5 Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Balance Sheets have been compiled, in all material respects, by the Directors on the basis set out in the notes to the Appendix.
- 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 Sheets on the basis set out in the notes to the Appendix.
- 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 Sheets, 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 Sheets. 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 Sheets included in the Abridged 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 that date would have been as presented.
- 9 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Balance Sheets have 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 Sheets 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 effects to those criteria; and
  - The Pro Forma Consolidated Balance Sheets reflect the proper application of those adjustments to the unadjusted financial information.

PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)



**The Board of Directors**  
**AirAsia X Berhad**  
**PwC/IM/HC/aax**  
**30 April 2015**

**Our Responsibilities (continued)**

- 10 The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company and its subsidiaries, the event or transaction in respect of which the Pro Forma Consolidated Balance Sheets have been compiled, and other relevant engagement circumstances. The engagement also involved evaluating the overall presentation of the Pro Forma Consolidated Balance Sheets.
- 11 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

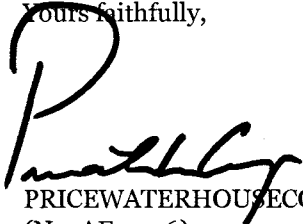
**Opinion**


- 12 In our opinion, the Pro Forma Consolidated Balance Sheets have been compiled, in all material respects, on the basis set out in the notes to the Appendix.

**Other Matter**

- 13 This report is issued for the sole purpose of inclusion in the Abridged 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

  
IRVIN GEORGE LUIS MENEZES  
(No. 293/06/16 (J))  
Chartered Accountant



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

## APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON**

**Scenario A - All vested Employees' Share Option Scheme ("ESOS") options are exercised prior to the Proposed Rights Issue with Warrants**

The Pro Forma Consolidated Balance Sheets as at 31 December 2014 have been prepared for illustrative purposes only to show the effects on the audited consolidated balance sheet as at 31 December 2014 based on the assumption that the exercise of ESOS options took place prior to the Proposal and both had been effected on 31 December 2014, and should be read in conjunction with the notes in this Appendix.

	Scenario A - all vested ESOS options are exercised prior to the Proposed Rights Issue with Warrants			
	Audited	Pro Forma I-A Assumed transaction	Pro Forma II-A Proposals	Pro Forma III-A Assumed transaction
	Consolidated Balance Sheet as at 31 December 2014	After assuming the exercise of all vested ESOS options	After Pro Forma I-A and the Proposed Rights Issue with Warrants	After Pro Forma II-A and assuming the exercise of Warrants in full
	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	1,934,588	1,934,588	1,934,588	1,934,588
Deferred tax assets	445,793	445,793	445,793	445,793
Deposits on aircraft purchases	469,526	469,526	469,526	469,526
Other deposits and prepayments	344,420	344,420	344,420	344,420
Investment in a joint venture	37,566	37,566	37,566	37,566
	<u>3,231,893</u>	<u>3,231,893</u>	<u>3,231,893</u>	<u>3,231,893</u>
<b>CURRENT ASSETS</b>				
Inventories	1,362	1,362	1,362	1,362
Receivables and prepayments	310,894	310,894	310,894	310,894
Amounts due from related parties	38,769	38,769	38,769	38,769
Amount due from an associate	5,314	5,314	5,314	5,314
Amount due from a joint venture	19,499	19,499	19,499	19,499
Deposits, cash and bank balances	127,198	129,354	395,750	804,936
Tax recoverable	1,065	1,065	1,065	1,065
	<u>504,101</u>	<u>506,257</u>	<u>772,653</u>	<u>1,181,839</u>
<b>LESS: CURRENT LIABILITIES</b>				
Derivative financial instruments	102,993	102,993	102,993	102,993
Trade and other payables	828,802	828,802	828,802	828,802
Amounts due to related parties	23,173	23,173	23,173	23,173
Amount due to an associate	196	196	196	196
Sales in advance	497,855	497,855	497,855	497,855
Borrowings	513,245	513,245	394,245	394,245
	<u>1,966,264</u>	<u>1,966,264</u>	<u>1,847,264</u>	<u>1,847,264</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<u>(1,462,163)</u>	<u>(1,460,007)</u>	<u>(1,074,611)</u>	<u>(665,425)</u>
<b>NON-CURRENT LIABILITY</b>				
Borrowings	1,066,100	1,066,100	1,066,100	1,066,100
	<u>703,630</u>	<u>705,786</u>	<u>1,091,182</u>	<u>1,500,368</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	355,556	355,815	622,676	756,106
Share premium	849,598	853,010	918,173	1,247,301
Currency translation reserve	(104)	(104)	(104)	(104)
Accumulated losses	(509,413)	(509,413)	(509,413)	(509,413)
Hedge reserve	6,478	6,478	6,478	6,478
Capital reserve	1,515	-	-	-
Warrants reserve	-	-	53,372	-
<b>SHAREHOLDERS' EQUITY</b>	<u>703,630</u>	<u>705,786</u>	<u>1,091,182</u>	<u>1,500,368</u>
<b>Number of shares in issue ('000)</b>	2,370,370	2,372,095	4,151,167	5,040,703
<b>Net Assets ("NA") attributable to the owners of the Company</b>	703,630	705,786	1,091,182	1,500,368
<b>NA attributable to the owners of the Company per ordinary share of RM0.15 each (RM)</b>	0.30	0.30	0.26	0.30

**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

## APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**Scenario B - All vested ESOS options are exercised after the Proposed Rights Issue with Warrants**

The Pro Forma Consolidated Balance Sheets as at 31 December 2014 have been prepared for illustrative purposes only to show the effects on the audited consolidated balance sheet as at 31 December 2014 based on the assumption that the Proposal took place prior to the assumed exercise of ESOS options and both had been effected on 31 December 2014, and should be read in conjunction with the notes in this Appendix.

	Audited Consolidated Balance Sheet as at 31 December 2014 RM'000	Scenario B - all vested ESOS options are exercised after the Proposed Rights Issue with Warrants		
		Pro Forma I-B Proposals After the Proposed Rights Issue with Warrants RM'000	Pro Forma II-B Assumed transaction After Pro Forma I-B and assuming the exercise of all vested ESOS options RM'000	Pro Forma III-B Assumed transaction After Pro Forma II-B and assuming the exercise of Warrants in full RM'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	1,934,588	1,934,588	1,934,588	1,934,588
Deferred tax assets	445,793	445,793	445,793	445,793
Deposits on aircraft purchases	469,526	469,526	469,526	469,526
Other deposits and prepayments	344,420	344,420	344,420	344,420
Investment in a joint venture	37,566	37,566	37,566	37,566
	<u>3,231,893</u>	<u>3,231,893</u>	<u>3,231,893</u>	<u>3,231,893</u>
<b>CURRENT ASSETS</b>				
Inventories	1,362	1,362	1,362	1,362
Receivables and prepayments	310,894	310,894	310,894	310,894
Amounts due from related parties	38,769	38,769	38,769	38,769
Amount due from a joint venture	19,499	19,499	19,499	19,499
Amount due from an associate	5,314	5,314	5,314	5,314
Deposits, cash and bank balances	127,198	393,309	395,338	804,227
Tax recoverable	1,065	1,065	1,065	1,065
	<u>504,101</u>	<u>770,212</u>	<u>772,241</u>	<u>1,181,130</u>
<b>LESS: CURRENT LIABILITIES</b>				
Derivative financial instruments	102,993	102,993	102,993	102,993
Trade and other payables	828,802	828,802	828,802	828,802
Amounts due to related parties	23,173	23,173	23,173	23,173
Amount due to an associate	196	196	196	196
Sales in advance	497,855	497,855	497,855	497,855
Borrowings	513,245	394,245	394,245	394,245
	<u>1,966,264</u>	<u>1,847,264</u>	<u>1,847,264</u>	<u>1,847,264</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<u>(1,462,163)</u>	<u>(1,077,052)</u>	<u>(1,075,023)</u>	<u>(666,134)</u>
<b>NON-CURRENT LIABILITY</b>				
Borrowings	1,066,100	1,066,100	1,066,100	1,066,100
	<u>703,630</u>	<u>1,088,741</u>	<u>1,090,770</u>	<u>1,499,659</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	355,556	622,223	622,534	755,867
Share premium	849,598	914,709	917,942	1,246,831
Currency translation reserve	(104)	(104)	(104)	(104)
Accumulated losses	(509,413)	(509,413)	(509,413)	(509,413)
Hedge reserve	6,478	6,478	6,478	6,478
Capital reserve	1,515	1,515	-	-
Warrants reserve	-	53,333	53,333	-
<b>SHAREHOLDERS' EQUITY</b>	<u>703,630</u>	<u>1,088,741</u>	<u>1,090,770</u>	<u>1,499,659</u>
<b>Number of shares in issue ('000)</b>	2,370,370	4,148,148	4,150,218	5,039,107
<b>Net Assets ("NA") attributable to the owners of the Company</b>	703,630	1,088,741	1,090,770	1,499,659
<b>NA attributable to the owners of the Company per ordinary share of RM0.15 each (RM)</b>	0.30	0.26	0.26	0.30

**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

## APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**1 INTRODUCTION**

The Pro Forma Consolidated Balance Sheets as at 31 December 2014 together with the Notes thereon (collectively known as “the Pro Forma Consolidated Balance Sheets”) of AirAsia X Berhad (“AAX” or the “Company”) and its subsidiaries (“AAX Group” or the “Group”), for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in the Abridged Prospectus in relation to the Proposal as set out in Note 1.1 below.

**1.1 The Proposal**

AAX will undertake the renounceable rights issue of up to 1,779,071,540 new ordinary shares of RM0.15 each in AAX together with up to 889,535,770 free detachable warrants, on the basis of 3 rights shares for every 4 existing AAX shares held as at 5.00 p.m. on 15 May 2015 and 1 warrant for every 2 rights shares subscribed for by the entitled shareholders at an issue price of RM0.22 per right share (“the Proposal”).

**2 BASIS OF PREPARATION**

- 2.1 The Pro Forma Consolidated Balance Sheets have been prepared based on the audited Consolidated Balance Sheet of AAX Group as at 31 December 2014 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and accounting policies of AAX Group, except for the adoption of the following accounting policy:

Warrants Reserve

Warrants reserve arising from the issuance of free warrants together with the rights issue, is determined based on the allocation of the proceeds from the rights issue using the fair value of the warrants and the ordinary shares on a pro-rate basis. Proceeds from warrants which are issued at a value, are credited to a warrants reserve. Warrants reserve is non-distributable, and is transferred to the share premium account upon the exercise of warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

## APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**2 BASIS OF PREPARATION (CONTINUED)**

2.2 The Pro Forma Consolidated Balance Sheets as at 31 December 2014 have been prepared for illustrative purposes only to show the effects of the Assumed Transactions, as set out in Note 2.2 (i) and Note 2.2 (ii) and the Proposal on the audited Consolidated Balance Sheet as at 31 December 2014 based on the following scenarios:

- (i) Scenario A - All vested ESOS options are exercised prior to the Entitlement Date of the Rights Issue with Warrants

Assumed transactions

- (a) Exercise of all vested ESOS options as at 16 April 2015, being the latest practicable date before the printing of the Abridged Prospectus ("LPD")
- (b) Exercise of new free detachable warrants ("Warrants") to be issued in conjunction with the new AAX Share(s) under the Proposed Rights Issue with Warrants ("Rights Shares") in full

- (ii) Scenario B - All vested ESOS options are exercised after the Entitlement Date of the Rights Issue with Warrants

Assumed transactions

- (a) Exercise of all vested ESOS options as at the LPD after the Rights Issue with Warrants
- (b) Exercise of Warrants in full

2.3 The proceeds from the Proposed Rights Issue with Warrants are expected to be utilised in the following manner based on the illustration of the Proposed Rights Issue with Warrants set out in Note 3.1 (ii) and Note 3.2 (i) of this Appendix:

<b>Utilisation of Proceeds</b>	<b>Scenario A RM'000</b>	<b>Scenario B RM'000</b>
Repayment of borrowings	119,000	119,000
General working capital of AAX and its subsidiaries ("AAX Group")	266,396	266,111
Transaction costs in relation to the Proposal	6,000	6,000
Net proceeds	391,396	391,111

2.4 The Pro Forma Consolidated Balance Sheets have 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 2014. Further, such information does not purport to predict AAX Group's future financial position.



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**3 EFFECTS OF THE PROPOSAL ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS**

**3.1 Scenario A - All vested ESOS options are exercised prior to the Proposed Rights Issue with Warrants**

The Pro Forma Consolidated Balance Sheets have been prepared solely for illustrative purposes to show the effects on the financial position of the Group as at 31 December 2014 as follows:

(i) Pro Forma I-A

For the purpose of Pro Forma I-A, it has been assumed that all vested ESOS options as at 31 December 2014 and LPD will be exercised at the exercise price of RM1.25 per option. This would result in total proceeds of RM2,156,250.

On 1 July 2013, the Company had granted 9,550,000 ESOS options to eligible employees of the Company at the exercise price of RM1.25 per option. These options expire on 11 October 2017. A total of 3,400,000 options have lapsed as at LPD. For illustration purpose, the vested options as at 31 December 2014 and LPD of 1,725,000 options are assumed to be exercised in full. Based on this assumption, the capital reserve amounting to RM1,515,000 will be transferred to the share premium account.

Based on this assumption, the total issued and fully paid AAX Shares would increase by 1,725,000 shares to 2,372,095,387 shares.

The new shares to be issued upon the exercise of the ESOS options shall, upon issuance, allotment and full payment, rank *pari passu* in all respect with the Company's existing shares, and will be entitled to the Proposed Rights Issue with Warrants if these new shares are issued and allotted prior to the entitlement date for the Proposed Rights Issue with Warrants.



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

## APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**3 EFFECTS OF THE PROPOSAL ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**3.1 Scenario A - All vested ESOS options are exercised prior to the Proposed Rights Issue with Warrants (cont'd)**

The Pro Forma Consolidated Balance Sheets have been prepared solely for illustrative purposes to show the effects on the financial position of the Group as at 31 December 2014 as follows (cont'd):

(ii) Pro Forma II-A

Pro Forma II-A incorporates the effects of Pro Forma I-A and the Proposed Rights Issue with Warrants as set out in Note 1.1, assuming the full subscription of the Rights Shares with Warrants at RM0.22 per Rights Share, representing a 50.00% discount to the 5-day volume weighted average market price ("VWAMP") of AAX Shares up to and including 28 April 2015 of RM0.44, being the last trading day of AAX Shares prior to the price-fixing date of the Rights Issue with Warrant, or a 37.00% discount to the theoretical ex-rights price ("TERP") of RM0.35.

An issue price of RM0.44 per two Rights Shares is allocated to the ordinary shares and Warrant based on the closing price of AAX Shares and the fair value of Warrants (as determined by Black-Scholes model) as at 28 April 2015, being the last trading day of AAX Shares prior to the price-fixing date of the Rights Issue with Warrant, of RM0.44 per ordinary share and RM0.16 per Warrant respectively, on a pro-rated basis, resulting in an allocated value per ordinary share and Warrant of RM0.19 and RM0.06 respectively.

On the illustrative basis of 3 Right Share for every 4 AAX Shares held, the Proposed Rights Issue with Warrants would result in an increase in the Company's total issued and fully paid shares by 1,779,071,540 shares to 4,151,166,927 shares, with total proceeds of approximately RM391,395,739.

The proceeds arising from the Proposed Rights Issue with Warrants of approximately RM391,395,739 will be used to repay the outstanding bank borrowings of RM119,000,000 and to settle estimated transaction costs of RM6,000,000. The estimated transaction costs are offset against the share premium account.

(iii) Pro Forma III-A

Pro Forma III-A incorporates the effects of Pro Forma II-A and assumes the exercise of a total of 889,535,770 Warrants at an exercise price of RM0.46 per Warrant, representing a 30.00% premium to the TERP. This adjustment reflects the recognition of RM0.15 per ordinary share in the share capital account and RM0.31 per ordinary share in the share premium account. Following the exercise of Warrants in full, the entire warrants reserve of RM 53,372,000 is transferred to the share premium account.

On the basis of 1 Warrant for every 2 Rights Shares subscribed, the total issued and fully paid AAX Shares would increase by 889,535,770 shares.



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

**APPENDIX A**

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**AIRASIA X BERHAD**

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**3 EFFECTS OF THE PROPOSAL ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**3.2 Scenario B - All vested ESOS options are exercised after the Proposed Rights Issue with Warrants**

The Pro Forma Consolidated Balance Sheets have been prepared solely for illustrative purposes to show the effects on the financial position of the Group as at 31 December 2014 as follows:

(i) Pro Forma I-B

For the purpose of Pro Forma I-B, it has been assumed the full subscription of the Rights Shares with Warrants at RM0.22 per Rights Share, representing a 50.00% discount to the 5-day VWAMP of AAX Shares up to and including 28 April 2015 of RM0.44, being the last trading day of AAX Shares prior to the price-fixing date of the Rights Issue with Warrant, or a 37.00% discount to the TERP of RM0.35.

An issue price of RM0.44 per two Rights Shares is allocated to the ordinary shares and Warrant based on the closing price of AAX Shares and the fair value of Warrants (as determined by Black-Scholes model) as at 28 April 2015, being the last trading day of AAX Shares prior to the price-fixing date of the Rights Issue with Warrant, of RM0.44 per ordinary share and RM0.16 per Warrant respectively, on a pro-rated basis, resulting in an allocated value per ordinary share and Warrant of RM0.19 and RM0.06 respectively.

On the illustrative basis of 3 Right Share for every 4 AAX Shares held, the Proposed Rights Issue with Warrants would result in an increase in the Company's total issued and fully paid shares by 1,777,777,790 shares to 4,148,148,177 shares with total proceeds of RM391,111,114.

The proceeds arising from the Proposed Rights Issue with Warrants of approximately RM391,111,114 will be used to repay the outstanding bank borrowings of RM119,000,000 and to settle estimated transaction costs of RM6,000,000. The estimated transaction costs are offset against the share premium account.

(ii) Pro Forma II-B

Pursuant to the Proposed Rights Issue with Warrants, the exercise price and number of the ESOS options will be adjusted in accordance with the terms of the ESOS By Laws.

The exercise price and total number of vested ESOS options will be adjusted to RM0.98 and 2,070,000 respectively.

Pro Forma II-B incorporates the effects of Pro Forma I-B and assumes the full exercise of ESOS options at exercise price of RM0.98 per option by the option holders, which would result in total proceeds of RM 2,028,600. A total of 3,400,000 options have lapsed as at the LPD.

For illustration purpose, the adjusted 2,070,000 outstanding ESOS options as at the LPD are assumed to have fully vested as at 31 December 2014.

Assuming the exercise in full of the vested ESOS options, capital reserve amounting to RM1,515,000 will be transferred to the share premium account.

Based on this assumption, the total issued and fully paid AAX Shares would increase by 2,070,000 shares to 4,150,218,177 shares.



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**3 EFFECTS OF THE PROPOSAL ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**3.2 Scenario B - All vested ESOS options are exercised after the Proposed Rights Issue with Warrants (cont'd)**

The Pro Forma Consolidated Balance Sheets have been prepared solely for illustrative purposes to show the effects on the financial position of the Group as at 31 December 2014 as follows (cont'd):

(iii) Pro Forma III-B

Pro Forma III-B incorporates the effects of Pro Forma II-B and assumes the exercise of a total of 888,888,895 Warrants at an exercise price of RM0.46 per Warrant, representing a 30.00% premium to the TERP. This adjustment reflects the recognition of RM0.15 per ordinary share in the share capital account and RM0.31 per ordinary share in the share premium account. Following the exercise of Warrants in full, the entire warrants reserve of RM53,333,000 is transferred to the share premium account.

On the basis of 1 Warrant for every 2 Rights Shares subscribed, the total issued and fully paid AAX Shares would increase by 888,888,895 shares.





PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)

## APPENDIX A

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## AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)

## 4 NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS

## 4.1 Scenario A - All vested ESOS options are exercised prior to the Proposed Rights Issue with Warrants

## 4.1.1 Share capital, share premium, warrants reserve, capital reserve and accumulated losses

	No of ordinary shares	Share capital	Share premium	Warrants reserve	Capital reserve	Accumulated losses
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Per audited balance of the Group as at 31 December 2014</b>	<b>2,370,370</b>	<b>355,556</b>	<b>849,598</b>	-	<b>1,515</b>	<b>(509,413)</b>
Adjustments for Pro Forma I-A – Assumed transaction – Exercise of all outstanding ESOS options						
- Exercise of ESOS options in full at an exercise price of RM1.25 per option	1,725	259	3,412	-	(1,515)	-
Total adjustments for Pro Forma I-A	1,725	259	3,412	-	(1,515)	-
<b>As Per Pro Forma I-A</b>	<b>2,372,095</b>	<b>355,815</b>	<b>853,010</b>	-	-	<b>(509,413)</b>
Adjustments for Pro Forma II-A – Proposed Rights Issue with Warrants						
- Issuance of 1,779,071,540 AAX Shares pursuant to the Proposed Rights Issue with Warrants at RMO.22 per Rights Share, net of estimated transaction cost	1,779,072	266,861	65,163	53,372	-	-
<b>As Per Pro Forma II-A</b>	<b>4,151,167</b>	<b>622,676</b>	<b>918,173</b>	<b>53,372</b>	-	<b>(509,413)</b>

PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)

## AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)

## 4 NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

## 4.1 Scenario A - All vested ESOS options are exercised prior to the Proposed Rights Issue with Warrants (cont'd)

## 4.1.1 Share capital, share premium, warrants reserve, capital reserve and accumulated losses (cont'd)

	No of ordinary shares	Share capital	Share premium	Warrants reserve	Capital reserve	Accumulated losses
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As Per Pro Forma II-A (cont'd)</b>	4,151,167	622,676	918,173	53,372	-	(509,413)
Adjustments for Pro Forma III-A – Assumed transaction – Exercise of Warrants in full						
- Exercise of Warrants in full at an exercise price of RM0.46 per Warrant into 889,535,770 AAX Shares	889,536	133,430	275,756	-	-	-
- Transfer of the warrants reserve to the share premium account	-	-	53,372	(53,372)	-	-
Total adjustments for Pro Forma III-A	889,536	133,430	329,128	(53,372)	-	-
<b>As Per Pro Forma III-A</b>	<b>5,040,703</b>	<b>756,106</b>	<b>1,247,301</b>	<b>-</b>	<b>-</b>	<b>(509,413)</b>



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

## APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**4 NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**4.1 Scenario A - All vested ESOS options are exercised prior to the Proposed Rights Issue with Warrants (cont'd)**

4.1.2 Deposits, cash and bank balances

	RM'000
Per audited balance of the Group as at 31 December 2014	127,198
Adjustment for Pro Forma I-A – Assumed transaction – Exercise of all outstanding ESOS options	
- Proceeds from the exercise of vested ESOS options in full at LPD at an exercise price of RM1.25 per option	2,156
<b>As per Pro Forma I-A</b>	<b>129,354</b>
Adjustment for Pro Forma II-A – Proposed Rights Issue with Warrants	
- Proceeds from the Proposed Rights Issue with Warrants	391,396
- Repayment of the Group's outstanding borrowings	(119,000)
- Payment of the estimated transaction cost for the Proposal	(6,000)
Total adjustments for Pro Forma I-A	266,396
<b>As per Pro Forma II-A</b>	<b>395,750</b>
Adjustment for Pro Forma III-A – Assumed transaction – Exercise of Warrants in full	
- Total proceeds arising from the exercise of Warrants in full at RM0.46 per Warrant	409,186
<b>As per Pro Forma III-A</b>	<b>804,936</b>

If the vested ESOS options are not exercised, the deposits, cash and bank balances would be reduced by RM2,738,438 (after taking into consideration of the proceeds from the Proposed Rights Issue with Warrants and the exercise of Warrants).

4.1.3 Borrowings (Current liabilities)

	RM'000
Per audited balance of the Group as at 31 December 2014 and Pro Forma I-A	513,245
Adjustment for Pro Forma II-A – Proposed Rights Issue with Warrants	
- Repayment of the Group's outstanding borrowings arising from the proceeds from the Proposed Rights Issue with Warrants	(119,000)
<b>As per Pro Formas II-A – III-A</b>	<b>394,245</b>



PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)

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## AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)

## 4 NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

## 4.2 Scenario B - All vested ESOS options are exercised after the Proposed Rights Issue with Warrants

## 4.2.1 Share capital, share premium, warrants reserve, capital reserve and accumulated losses

	No of ordinary shares '000	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000
<b>Per audited balance of the Group as at 31 December 2014</b>	<b>2,370,370</b>	<b>355,556</b>	<b>849,598</b>	-	<b>1,515</b>	<b>(509,413)</b>
Adjustments for Pro Forma I-B – Proposed Rights Issue with Warrants						
- Issuance of 1,777,777,790 AAX Shares pursuant to the Proposed Rights Issue with Warrants at RM0.22 per Rights Share, net of estimated transaction cost	1,777,778	266,667	65,111	53,333	-	-
<b>As Per Pro Forma I-B</b>	<b>4,148,148</b>	<b>622,223</b>	<b>914,709</b>	<b>53,333</b>	<b>1,515</b>	<b>(509,413)</b>
Adjustments for Pro Forma II-B – Assumed transaction – Exercise of all outstanding ESOS options						
- Exercise of ESOS options in full at an exercise price of RM0.98 per option	2,070	311	3,233	-	(1,515)	-
Total adjustments for Pro Forma II-B	2,070	311	3,233	-	(1,515)	-
<b>As Per Pro Forma II-B</b>	<b>4,150,218</b>	<b>622,534</b>	<b>917,942</b>	<b>53,333</b>	<b>-</b>	<b>(509,413)</b>

PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)

## AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)

## 4 NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

## 4.2 Scenario B - All vested ESOS options are exercised after the Proposed Rights Issue with Warrants (cont'd)

## 4.2.1 Share capital, share premium, warrants reserve, capital reserve and accumulated losses (cont'd)

	No of ordinary shares	Share capital	Share premium	Warrants reserve	Capital reserve	Accumulated losses
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As Per Pro Forma II-B (cont'd)</b>	<b>4,150,218</b>	<b>622,534</b>	<b>917,942</b>	<b>53,333</b>	-	<b>(509,413)</b>
Adjustments for Pro Forma III-B – Assumed transaction – Exercise of Warrants in full						
- Exercise of Warrants in full at an exercise price of RM0.46 per Warrant into 888,888,895 AAX Shares	888,889	133,333	275,556	-	-	-
- Transfer of the warrants reserve to the share premium account	-	-	53,333	(53,333)	-	-
Total adjustments for Pro Forma III-B	888,889	133,333	328,889	(53,333)	-	-
<b>As Per Pro Forma III-B</b>	<b>5,039,107</b>	<b>755,867</b>	<b>1,246,831</b>	-	-	<b>(509,413)</b>



**PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)**

## APPENDIX A

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## AIRASIA X BERHAD

**PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)**

**4 NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)**

**4.2 Scenario B - All vested ESOS options are exercised after the Proposed Rights Issue with Warrants (cont'd)**

4.2.2 Deposits, cash and bank balances

	RM'000
Per audited balance of the Group as at 31 December 2014	127,198
Adjustment for Pro Forma I-B – Proposed Rights Issue with Warrants	
- Proceeds from the Proposed Rights Issue with Warrants	391,111
- Repayment of the Group's outstanding borrowings	(119,000)
- Payment of the estimated transaction cost for the Proposal	(6,000)
Total adjustments for Pro Forma II-B	266,111
<b>As per Pro Forma I-B</b>	<b>393,309</b>
Adjustment for Pro Forma II-B – Assumed transaction – Exercise of all outstanding ESOS options	
- Proceeds from the exercise of ESOS options in full at an exercise price of RM0.98 per option	2,029
<b>As per Pro Forma II-B</b>	<b>395,338</b>
Adjustment for Pro Forma III-B – Assumed transaction – Exercise of Warrants in full	
- Total proceeds arising from the exercise of Warrants in full at RM0.46 per Warrant	408,889
<b>As per Pro Forma III-B</b>	<b>804,227</b>

If the vested ESOS options are not exercised, the deposits, cash and bank balances would be reduced by RM2,028,600.

4.2.3 Borrowings (Current liabilities)

	RM'000
Per audited balance of the Group as at 31 December 2014	513,245
Adjustment for Pro Forma I-B – Proposed Rights Issue with Warrants	
- Repayment of the Group's outstanding borrowings arising from the proceeds from the Proposed Rights Issue with Warrants	(119,000)
<b>As per Pro Formas I-B – III-B</b>	<b>394,245</b>



PRO FORMA CONSOLIDATED BALANCE SHEET OF OUR COMPANY AS AT 31 DECEMBER 2014  
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER (cont'd)

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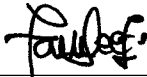
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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2014 AND THE NOTES THEREON (CONTINUED)

5 APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of AirAsia X Berhad in accordance with a  
resolution dated 30 APR 2015



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DATUK FAM LEE EE  
DIRECTOR



**APPENDIX IV**

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT**

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**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**



## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT *(cont'd)***

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**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors hereby submit their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2014.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiaries are described in Note 16 to the financial statements. There was no significant change in the nature of these activities during the financial year.

**FINANCIAL RESULTS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net loss for the financial year	<u>519,443</u>	<u>484,003</u>

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2014.

**RESERVES AND PROVISIONS**

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

**EMPLOYEES' SHARE OPTION SCHEME**

The Company had 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 the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees of the Group. The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years. The ESOS is governed by the by-laws which were approved by the shareholders on 12 October 2012.

On 1 July 2013, the Company granted 9,550,000 ESOS Options to its eligible employees at the exercise price of RM1.25 per option ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws.

Details of the ESOS are set out in Note 26 to the financial statements.

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)**


---

**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Rafidah Aziz  
Datuk Kamarudin Bin Meranun  
Tan Sri Dr. Anthony Francis Fernandes  
Dato' Seri Kalimullah Bin Masheerul Hassan  
Lim Kian Onn  
Dato' Fam Lee Ee  
Tan Sri Asmat Bin Kamaludin  
Dato' Yusli Bin Mohamed Yusoff  
Kiyotaka Tanaka

(Ceased as Alternate Director to  
Kiyoshi Fushitani on 12 June 2014;  
Appointed on 12 June 2014)  
(Resigned on 12 June 2014)  
(Retired on 5 June 2014)

Kiyoshi Fushitani  
Asher Noor

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 5 and Note 28 to the financial statements.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
(Incorporated in Malaysia)

## DIRECTORS' REPORT (CONTINUED)

## DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.15 each			
	1.1.2014	Acquired/ Transferred	Disposed/ Transferred	31.12.2014
<u>Direct interests in the Company</u>				
Datuk Kamarudin Bin Meranun	66,456,360	131,016,634	(4,500,000)	192,972,994
Tan Sri Dr. Anthony Francis Fernandes	35,223,907	14,663,938	-	49,887,845
Dato' Seri Kalimullah Bin Masheerul Hassan	16,170,447	91,765,191	-	107,935,638
Lim Kian Onn	16,170,447	96,277,185	-	112,447,632
Tan Sri Rafidah Aziz	100,000	-	-	100,000
Tan Sri Asmat Bin Kamaludin	100,000	-	-	100,000
Dato' Yusli Bin Mohamed Yusoff	100,000	-	-	100,000
<u>Indirect interests in the Company</u>				
Datuk Kamarudin Bin Meranun	1,143,016,016	479,029,974	(873,285,203)	748,760,787*
Tan Sri Dr. Anthony Francis Fernandes	1,143,016,016	479,029,974	(873,285,203)	748,760,787*
Lim Kian Onn**	600,000	-	-	600,000
Tan Sri Rafidah Aziz***	100,000	-	-	100,000

\* Deemed interest by virtue of their shareholding interests in AirAsia Berhad and Tune Group Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

\*\* Pursuant to Section 134(12)(c) of the Companies Act, 1965, the interests of spouse and children of Lim Kian Onn in the shares of the Company shall also be treated as the interest of Lim Kian Onn.

\*\*\* Pursuant to Section 134(12)(c) of the Companies Act, 1965, the interest of spouse (deceased) of Tan Sri Rafidah Aziz in the shares of the Company shall also be treated as the interest of Tan Sri Rafidah Aziz.

According to the register of Directors' shareholdings, other than disclosed above, none of the other Directors who held office at the end of the financial year had any interests in shares and options over shares in the Company and its related corporations during the financial year.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT** *(cont'd)*

AIRASIA X BERHAD  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)****STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the financial statements were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations as and when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and Company which has arisen since the end of the financial year.

APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT *(cont'd)*

---

AIRASIA X BERHAD  
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.


In the opinion of the Directors:

- (a) except as disclosed in the financial statements, the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 29 APR 2015

  
TAN SRI RAFIDAH AZIZ  
DIRECTOR

  
DATUK KAMARUDIN BIN MERANUN  
DIRECTOR

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
(Incorporated in Malaysia)

INCOME STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	4	2,936,727	2,308,350	2,935,584	2,308,003
Operating expenses					
- Staff costs	5	(313,018)	(233,601)	(308,730)	(230,700)
- Depreciation of property, plant and equipment		(180,730)	(120,558)	(180,730)	(120,558)
- Aircraft fuel expenses		(1,519,924)	(1,101,216)	(1,519,924)	(1,101,216)
- Maintenance, overhaul, user charges and other related expenses		(638,167)	(451,369)	(638,167)	(451,369)
- Aircraft operating lease expenses		(337,978)	(186,663)	(337,978)	(186,663)
- Other operating expenses	6	(313,954)	(203,461)	(317,671)	(206,596)
Other income	7	190,744	20,401	190,744	20,401
Share of results of an associate	17	(19,516)	(502)	-	-
Share of results of a joint venture	18	(16,322)	-	-	-
Operating (loss)/profit		(212,138)	31,381	(176,872)	31,302
Finance income	9	6,349	3,611	6,349	3,608
Finance costs	9	(159,658)	(76,422)	(159,658)	(76,422)
Foreign exchange losses	9	(136,921)	(176,171)	(136,921)	(176,171)
Other (loss)/gain	8	(102,993)	5,541	(102,993)	5,541
Loss before taxation		(605,361)	(212,060)	(570,095)	(212,142)
Taxation					
- Current taxation	10	(245)	(997)	(71)	(727)
- Deferred taxation	10	86,163	124,790	86,163	124,790
		85,918	123,793	86,092	124,063
Net loss for the financial year		(519,443)	(88,267)	(484,003)	(88,079)
Net loss for the financial year attributable to:					
- Equity holders of the Company		(519,443)	(88,267)		
- Non-controlling interests		-	-		
		(519,443)	(88,267)		
Loss per share (sen)					
- Basic	11	(21.9)	(6.7)		
- Diluted	11	(21.9)	(6.7)		

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial year	(519,443)	(88,267)	(484,003)	(88,079)
Other comprehensive (loss)/ income				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	(14,049)	20,527	(14,049)	20,527
Foreign currency translation differences	(26)	(12)	-	-
Other comprehensive (loss)/income for the financial year, net of tax	(14,075)	20,515	(14,049)	20,527
Total comprehensive loss for the financial year	(533,518)	(67,752)	(498,052)	(67,552)
Total comprehensive loss attributable to:				
- Equity holders of the Company	(533,518)	(67,752)		
- Non-controlling interests	-	-		
	(533,518)	(67,752)		



## APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
(Incorporated in Malaysia)

## BALANCE SHEETS AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	1,934,588	2,275,213	1,934,588	2,275,213
Deferred tax assets	13	445,793	359,630	445,793	359,630
Deposits on aircraft purchases	14	469,526	638,283	469,526	638,283
Other deposits and prepayments	15	344,420	196,201	344,420	196,201
Investments in subsidiaries	16	-	-	*	*
Investment in an associate	17	-	19,516	20,018	20,018
Investment in a joint venture	18	37,566	-	53,888	-
Derivative financial instruments	19	-	60,388	-	60,388
		<u>3,231,893</u>	<u>3,549,231</u>	<u>3,268,233</u>	<u>3,549,733</u>
<b>CURRENT ASSETS</b>					
Derivative financial instruments	19	-	5,541	-	5,541
Inventories	20	1,362	993	1,362	993
Receivables and prepayments	21	310,894	165,356	310,821	165,319
Amounts due from related parties	22	38,769	16,387	38,304	16,325
Amount due from a joint venture	22	19,499	-	19,499	-
Amount due from an associate	22	5,314	1,353	-	1,353
Amount due from a subsidiary	22	-	-	5,314	-
Deposits, cash and bank balances	23	127,198	262,976	126,767	262,777
Tax recoverable		1,065	523	1,039	274
		<u>504,101</u>	<u>453,129</u>	<u>503,106</u>	<u>452,582</u>
<b>LESS: CURRENT LIABILITIES</b>					
Derivative financial instruments	19	102,993	-	102,993	-
Trade and other payables	24	828,802	346,778	828,019	346,080
Amounts due to related parties	22	23,173	1,916	23,173	1,916
Amounts due to subsidiaries	22	-	-	1,896	1,887
Amount due to an associate	22	196	-	196	-
Sales in advance		497,855	421,258	497,855	421,258
Borrowings	25	513,245	445,880	513,245	445,880
		<u>1,966,264</u>	<u>1,215,832</u>	<u>1,967,377</u>	<u>1,217,021</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,462,163)</u>	<u>(762,703)</u>	<u>(1,464,271)</u>	<u>(764,439)</u>
<b>NON-CURRENT LIABILITY</b>					
Borrowings	25	1,066,100	1,550,373	1,066,100	1,550,373
		<u>703,630</u>	<u>1,236,155</u>	<u>737,862</u>	<u>1,234,921</u>

## APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
(Incorporated in Malaysia)

## BALANCE SHEETS AS AT 31 DECEMBER 2014 (CONTINUED)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CAPITAL AND RESERVES					
Share capital	26	355,556	355,556	355,556	355,556
Share premium		849,598	849,598	849,598	849,598
Currency translation reserve (Accumulated losses)/		(104)	(78)	-	-
retained earnings		(509,413)	10,030	(475,285)	8,718
Other reserves		7,993	21,049	7,993	21,049
Shareholders' equity		<u>703,630</u>	<u>1,236,155</u>	<u>737,862</u>	<u>1,234,921</u>

\* Less than RM1,000

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Note	Attributable to equity holders of the Company									
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000	Currency translation reserve RM'000	(Accumulated losses)/ retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2014	2,370,370	355,556	849,598	20,527	522	(78)	10,030	1,236,155	-	1,236,155
Net loss for the financial year	-	-	-	-	-	-	(519,443)	(519,443)	-	(519,443)
Other comprehensive loss	-	-	-	(14,049)	-	(26)	-	(14,075)	-	(14,075)
Total comprehensive income/(loss)	-	-	-	(14,049)	-	(26)	(519,443)	(533,518)	-	(533,518)
Employee Share Option Scheme	26	-	-	-	993	-	-	993	-	993
At 31 December 2014	2,370,370	355,556	849,598	6,478	1,515	(104)	(509,413)	703,630	-	703,630

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid ordinary shares of RM0.15 each		Issued and fully paid RCPS of RM1.00 each		Share premium RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000						
At 1 January 2013		224,000	224,000	-	-	42,667	42,667	215,832	-	-	(66)	98,297	580,730
Net loss for the financial year		-	-	-	-	-	-	-	-	-	-	(88,267)	(88,267)
Other comprehensive income/(loss)		-	-	-	-	-	-	-	20,527	-	(12)	-	20,515
Total comprehensive income/(loss)		-	-	-	-	-	-	-	20,527	-	(12)	(88,267)	(67,752)
Conversion of RCPS	26	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-	-
Subdivision of shares	26	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-	-
Issuance of ordinary shares	26	-	-	592,592	88,889	-	-	651,851	-	-	-	-	740,740
Share issuance expenses		-	-	-	-	-	-	(18,085)	-	-	-	-	(18,085)
Employee Share Option Scheme	26	-	-	-	-	-	-	-	-	522	-	-	522
At 31 December 2013		-	-	2,370,370	355,556	-	-	849,598	20,527	522	(78)	10,030	1,236,155

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM0.15 each		Non-distributable			Total RM'000	
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000		(Accumulated losses)/ retained earnings RM'000
At 1 January 2014		2,370,370	355,556	849,598	20,527	522	8,718	1,234,921
Net loss for the financial year		-	-	-	-	-	(484,003)	(484,003)
Other comprehensive loss		-	-	-	(14,049)	-	-	(14,049)
Total comprehensive loss		-	-	-	(14,049)	-	(484,003)	(498,052)
Employee Share Option Scheme	26	-	-	-	-	993	-	993
At 31 December 2014		<u>2,370,370</u>	<u>355,556</u>	<u>849,598</u>	<u>6,478</u>	<u>1,515</u>	<u>(475,285)</u>	<u>737,862</u>

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Note	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid ordinary shares of RM0.15 each		Issued and fully paid RCPS of RM1.00 each		Non-distributable			Retained earnings RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash flow hedge reserve RM'000	Capital Reserve RM'000		
At 1 January 2013	224,000	224,000	-	-	42,667	42,667	215,832	-	-	96,797	579,296
Net loss for the financial year	-	-	-	-	-	-	-	-	-	(88,079)	(88,079)
Other comprehensive income	-	-	-	-	-	-	-	20,527	-	-	20,527
Total comprehensive income/(loss)	-	-	-	-	-	-	-	20,527	-	(88,079)	(67,552)
Conversion of RCPS	26	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-
Subdivision of shares	26	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-
Issuance of ordinary shares	26	-	-	592,592	88,889	-	-	651,851	-	-	740,740
Share issuance expenses	-	-	-	-	-	-	-	(18,085)	-	-	(18,085)
Employee Share Option Scheme	26	-	-	-	-	-	-	-	522	-	522
At 31 December 2013	-	-	2,370,370	355,556	-	-	849,598	20,527	522	8,718	1,234,921

## APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
(Incorporated in Malaysia)STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before taxation	(605,361)	(212,060)	(570,095)	(212,142)
Adjustments:				
Property, plant and equipment				
- Depreciation	180,730	120,558	180,730	120,558
- Write off	4,890	-	4,890	-
Gain on disposal of aircraft and engine pursuant to sales and leaseback arrangement	(121,257)	-	(121,257)	-
Impairment of trade and other receivables	1,509	552	1,509	552
Interest expense	99,935	72,354	99,935	72,354
Amortisation of deposits for leased aircraft	59,723	4,068	59,723	4,068
Interest income	(1,051)	(3,032)	(1,051)	(3,029)
Interest income on deposits for leased aircraft	(5,298)	(579)	(5,298)	(579)
Fair value loss/(gain) on derivative financial instruments	134,858	(4,473)	134,858	(4,473)
Fair value (gain)/loss of shareholders' benefits scheme	(1,990)	8,536	(1,990)	8,536
Share option expense	993	522	993	522
Share of results of an associate	19,516	502	-	-
Share of results of a joint venture	16,322	-	-	-
Net unrealised foreign exchange losses	90,736	61,850	90,772	61,912
	(125,745)	48,798	(126,281)	48,279
Changes in working capital:				
Inventories	(369)	(187)	(369)	(187)
Receivables, prepayments and other deposits	(285,065)	(89,626)	(285,029)	(89,961)
Related parties balances	(22,890)	(5,343)	(22,514)	(5,719)
Trade and other payables	403,743	79,839	403,635	81,571
Sales in advance	76,597	226,070	76,597	226,070
Cash generated from operations	46,271	259,551	46,039	260,053
Interest paid	(98,793)	(73,633)	(98,793)	(73,633)
Interest received	800	3,122	800	3,119
Tax recovered	-	1,716	-	1,716
Tax paid	(836)	(1,267)	(836)	(1,001)
Net cash (used in)/from operating activities	(52,558)	189,489	(52,790)	190,254

## APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
(Incorporated in Malaysia)STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment - Additions	12	(352,461)	(882,665)	(352,461)	(882,665)
Investment in an associate		-	(20,018)	-	(20,018)
Investment in a joint venture		(53,888)	-	(53,888)	-
Proceeds from disposal of aircraft and engine pursuant to sales and leaseback arrangement		1,010,059	-	1,010,059	-
Deposits placed on aircraft purchases		(211,469)	(405,827)	(211,469)	(405,827)
Net cash from/(used in) investing activities		392,241	(1,308,510)	392,241	(1,308,510)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		-	722,655	-	722,655
Proceeds from borrowings		597,104	1,097,310	597,104	1,097,310
Repayments of borrowings		(1,078,563)	(612,941)	(1,078,563)	(612,941)
Deposits pledged as securities		(1,374)	(50,887)	(1,374)	(50,887)
Net cash (used in)/from financing activities		(482,833)	1,156,137	(482,833)	1,156,137
NET (DECREASE)/INCREASE FOR THE FINANCIAL YEAR		(143,150)	37,116	(143,382)	37,881
CURRENCY TRANSLATION DIFFERENCES		5,998	1,022	5,998	1,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		212,089	173,951	211,890	172,975
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	74,937	212,089	74,506	211,890



**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014**

**1 GENERAL INFORMATION**

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are described in Note 16 to the financial statements.

There was no significant change in the nature of these activities during the financial year.

The address of the registered office of the Company is as follows:

B-13-15, Level 13  
Menara Prima Tower B  
Jalan PJU1/39, Dataran Prima  
47301 Petaling Jaya  
Selangor Darul Ehsan

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

Mezzanine Floor, LCCT  
Jalan KLIA S3  
Southern Support Zone KLIA  
64000 Sepang  
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 April 2015.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Basis of preparation (continued)

Whilst the Group and the Company incurred net loss of RM519,443,000 and RM484,003,000 respectively during the financial year ended 31 December 2014 and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM1,462,163,000 and RM1,464,271,000 respectively, the Directors are of the view that no material uncertainty related to these conditions exists that may cast significant doubt on the Group's or Company's ability to continue as a going concern. The Directors believe that the Group and the Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows.

On 27 January 2015, the Company had secured an additional term loan facility amounting to RM75 million for working capital purposes. In addition, as disclosed in Note 33 to the financial statements, on 30 January 2015, the Company announced the proposal to undertake a renounceable rights issue of new ordinary shares of RM0.15 each in AirAsia X Berhad together with free detachable warrants to raise gross proceeds of up to RM395 million ("Rights Issue with Warrants"). This corporate transaction was approved by the shareholders at the Extraordinary General Meeting held on 27 March 2015. Certain shareholders ("Undertaking Shareholders") have provided irrevocable and unconditional written undertakings to subscribe and/or procure the subscription in full of their respective entitlements under the Rights Issue with Warrants. In addition, the Company has also entered into an underwriting agreement with an underwriter to underwrite the remaining portion of the rights shares. Proceeds from the rights issue are expected to be available in the second quarter of 2015.

Based on the above, the Directors believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

(b) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'
- Amendments to MFRS 10, MFRS 12 and MFRS 127 'Investment Entities'

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Group and the Company are in the process of assessing the full impact of the above standards, amendments to published standards and interpretations on the financial statements of the Group and of the Company in the year of initial application.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d) Basis of consolidation

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Basis of consolidation (continued)****(ii) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

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

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Basis of consolidation (continued)****(iii) Joint arrangements**

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

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

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

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) 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. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2(p) on borrowing costs).

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

Significant parts of an item of property, plant and property are depreciated separately over their estimated useful lives in accordance with the principle in MFRS 116 "Property, Plant and Equipment". Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives.

The useful lives for this purpose are as follows:

Aircraft		
- engines and airframe excluding service potential		25 years
- service potential of engines and airframe		6 or 12 years
Aircraft spares		10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter	
Motor vehicles		5 years
Office equipment, furniture and fittings		5 years

Service potential of 6 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 6 years.

Certain elements of the cost of an airframe are attributed on acquisition to 6 years interval check or 12 years interval check, reflecting its maintenance conditions. This cost is amortised over the shorter of the period to the next scheduled heavy maintenance or the remaining life of the aircraft.

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



**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Property, plant and equipment (continued)**

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. For the current financial year ended 31 December 2014, the estimated residual value for aircraft airframes and engines is 10% of their cost (2013: 10% of their cost).

The costs of upgrades to leased assets are capitalised and amortised over the shorter of the expected useful life of the upgrades or the remaining life of the aircraft.

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

At each balance sheet date, the Group and Company assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statements.

**(f) Investments in subsidiaries, joint ventures and associates**

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2(g)).

On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less 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 (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

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

**(h) Maintenance and overhaul****Owned aircraft**

The accounting for the cost of major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy for property, plant and equipment (see Note 2(e)).

**Leased aircraft**

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

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (i) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Finance leases

Leases of property, plant and equipment where the Group and Company assume 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 at the lower of the fair value of the leased property and the present value of the minimum lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant 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 stated in Note 2(e) above. Where there is no reasonable certainty that the ownership will be transferred to the Group and Company, 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 and Company 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.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(i) Leases (continued)****Sale and leaseback transactions**

When a sale and leaseback results in a finance lease, any gain on the sale is deferred and recognised as income over the lease term. Any loss on the sale is immediately recognised as an impairment loss when the sale occurs.

If the leaseback is classified as an operating lease, then any gain is recognised immediately if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:

If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at below-market price, then the loss is deferred and amortised over the period that the asset is expected to be used.

If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset.

If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.

**(j) Inventories**

Inventories comprising consumables used internally for repairs and maintenance and in-flight merchandise, are stated at the lower of cost and net realisable value.

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

Net realisable value represents the estimated selling price in the ordinary course of business, less all 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.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) 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. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2(v). 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 and Company document 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 and Company also document their 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 fair values of various derivative instruments used for hedging purposes are disclosed in Note 19 to the financial statements. 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 and presented separately after net operating profit.

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

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

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(l) Trade 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

**(m) Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and other short-term, highly liquid investments with original maturities of three months and net of bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

**(n) Provision**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

**(o) 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.

**(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.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(p) Borrowings**

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

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

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

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

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

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

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

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(q) Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary differences shall not be recognised.

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



**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(r) 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 and Company.

(ii) Defined contribution plan

The Group's and Company's contributions to the Employees' Provident Fund are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and Company have 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.

(s) Revenue recognition

Revenue from scheduled passenger flights is recognised upon the rendering of transportation services net of discounts. The revenue of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

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 net of discounts. Freight and other related revenue are recognised upon the completion of services rendered net of discounts.

Management fees, incentives and commission income are recognised on an accrual basis.

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

Interest income is recognised using the effective interest method.

The Group participates in a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Award points are recognised as a cost of sale at the time of issue while revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed and the redemption value of each point. Award points expire 36 months after the initial sale.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(t) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses arising from operations are included in arriving at the operating profit. Foreign exchange gains and losses arising from borrowings (after effects of effective hedges) and amounts due from associates are separately disclosed after net operating profit.

(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:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) 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
- (iii) 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 statements as part of the gain or loss on disposal.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(u) Contingent liabilities

The Group and Company do 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 and Company, 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.

The Group and Company recognise 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 and Company measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

(v) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note 2(k)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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 and Company's loans and receivables comprise 'trade and other receivables', 'amounts due from related parties', 'amount due from an associate' and 'deposits, cash and bank balances' in the balance sheet.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(v) Financial assets (continued)

(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.

(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 the income statement 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.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

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
- 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:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) 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 statement. 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 statement.

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.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

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**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(v) Financial assets (continued)****(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.

**(w) Offsetting financial instruments**

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

**(x) 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.

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

**(y) 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.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

The Group and Company make 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 and Company'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 airframes and engines as disclosed in Note 2(e), would increase the recorded depreciation for the financial year ended 31 December 2014 by RM3,346,000 (2013: RM3,794,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2014 by RM8,548,000 (2013: RM6,604,000).

(ii) Deferred tax assets

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. 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. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at end of the reporting date.

(iii) Impairment of investments in associate and joint venture

The investments in associate and joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Significant judgement is required in the estimation of the present value of future cash flows generated by the associate and joint venture, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions can significantly affect the results of the Group's test for impairment of investments in associate and joint venture.

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**
**(iv) Sales and leaseback**

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. The Company had accounted for the aircraft under the sale and leaseback arrangements as "operating lease" as the Company operates, but does not own, these aircraft. The Company has no right or obligation to acquire these aircraft at the end of the relevant lease terms. The present value of the minimum lease payments determined at the inception of the lease was not substantially all of the aircraft's fair value and the lease term under the arrangement is not a major part of the economic life of the aircraft.

**4 REVENUE**

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Scheduled flights	1,630,119	1,404,651	1,630,119	1,404,651
Charter flights	171,633	107,001	171,633	107,001
Fuel surcharge	344,133	253,839	344,133	253,839
Freight services	113,878	90,018	113,878	90,018
Ancillary revenue	586,485	452,494	586,485	452,494
Management fees	1,143	347	-	-
Aircraft operating lease income	89,336	-	89,336	-
	2,936,727	2,308,350	2,935,584	2,308,003

Ancillary revenue includes assigned seat, cancellation, documentation and other fees, and the on-board sale of meals and merchandise.



## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)**

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**5 STAFF COSTS**

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and allowances	289,054	214,784	285,109	212,120
Defined contribution retirement plan	22,971	18,295	22,628	18,058
Share option expense (Note 26)	993	522	993	522
	<u>313,018</u>	<u>233,601</u>	<u>308,730</u>	<u>230,700</u>

Included in staff costs is Non-Executive Directors' remuneration which is analysed as follows:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Non-executive Directors</u>		
- fees	<u>856</u>	<u>501</u>

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

	<u>Non-executive</u>	
	<u>2014</u>	<u>2013</u>
<u>Range of remuneration</u>		
Less than RM100,000	8	2
RM100,001 to RM150,000	2	1
RM150,001 to RM200,000	1	-
	<u>11</u>	<u>3</u>

The details of outstanding options over the ordinary shares of the Company granted under ESOS to the eligible employees are disclosed in Note 26 to the financial statements.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Management fee	-	-	3,508	2,972
Rental of land and buildings	3,986	2,025	3,839	1,956
Auditors' remuneration				
- Statutory audit	358	340	341	324
- Audit related services <sup>(1)</sup>	-	4,475	-	4,475
- Non-audit fees	331	-	331	-
Rental of equipment	327	296	327	296
Net foreign exchange loss/(gain) on operations				
- Realised	31,565	(744)	31,565	(744)
- Unrealised	12,168	(15,816)	12,204	(15,754)
Sponsorship expenses	949	142	949	142
Advertising expenses	68,565	67,460	69,066	67,729
Credit card charges	36,068	25,808	36,068	25,808
In-flight meal expenses	29,813	21,389	29,813	21,389
Insurance expenses	16,620	13,204	16,260	13,204
Penalty on early termination of term loan	13,362	-	13,362	-
Impairment of receivables	1,509	552	1,509	552
Property, plant and equipment written off	4,890	-	4,890	-

<sup>(1)</sup> Fees incurred in connection with the role as reporting accountant in relation to the Listing of the Company.

## 7 OTHER INCOME

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Gain on disposal of aircraft and engine pursuant to sales and leaseback arrangements	121,257	-	121,257	-
Others	69,487	20,401	69,487	20,401

Other income ('others') includes concession received from supplier, commission received from advertising activities and marketing incentives received from certain airport authorities.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 8 OTHER (LOSS)/GAIN

Other (loss)/gain represent the unrealised (loss)/gain arising from fuel contracts held for trading.

## 9 FINANCE INCOME/(COSTS)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>Finance income:</u>				
Interest income:				
- Deposits with licensed bank	1,051	3,032	1,051	3,029
- Deposits for leased aircraft	5,298	579	5,298	579
	<u>6,349</u>	<u>3,611</u>	<u>6,349</u>	<u>3,608</u>
<u>Finance costs:</u>				
Interest expense on bank borrowings	(98,561)	(68,841)	(98,561)	(68,841)
Amortisation of deposits for leased aircraft	(59,723)	(4,068)	(59,723)	(4,068)
Bank facilities and other charges	(1,374)	(3,513)	(1,374)	(3,513)
	<u>(159,658)</u>	<u>(76,422)</u>	<u>(159,658)</u>	<u>(76,422)</u>

## FOREIGN EXCHANGE LOSSES

Unrealised foreign exchange (losses)/gains on:				
- Borrowings	(64,551)	(119,629)	(64,551)	(119,629)
- Deposits and bank balances	5,998	1,034	5,998	1,034
	(58,553)	(118,595)	(58,553)	(118,595)
Fair value movement recycled from cash flow hedge reserve and others	(78,368)	(57,576)	(78,368)	(57,576)
Net foreign exchange losses	<u>(136,921)</u>	<u>(176,171)</u>	<u>(136,921)</u>	<u>(176,171)</u>

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 10 TAXATION

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
- Malaysian taxation	71	727	71	727
- Foreign taxation	174	270	-	-
	245	997	71	727
Deferred taxation	(86,163)	(124,790)	(86,163)	(124,790)
Total tax credit	(85,918)	(123,793)	(86,092)	(124,063)
Current taxation:				
- Current financial year	245	997	71	727
Deferred taxation: (Note 13)				
- Origination and reversal of temporary differences	(86,163)	(124,790)	(86,163)	(124,790)
	(85,918)	(123,793)	(86,092)	(124,063)

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loss before taxation	(605,361)	(212,060)	(570,095)	(212,142)
Tax calculated at Malaysian tax rate of 25% (2013: 25%)	(151,340)	(53,015)	(142,524)	(53,035)
Tax effects of:				
- clawback of tax incentives/ (tax incentives)	34,202	(111,744)	34,202	(111,744)
- expenses not deductible for tax purposes	51,681	30,176	51,651	30,052
- income not subject to tax	(34,217)	-	(34,217)	-
- changes in statutory tax rate	4,796	10,664	4,796	10,664
- share of results of an associate and a joint venture	8,960	126	-	-
Taxation	(85,918)	(123,793)	(86,092)	(124,063)

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**11 LOSS PER SHARE**
Basic loss per share

Basic loss per share is calculated by dividing the net loss for the financial year by the weighted average number of ordinary/preference shares in issue during the financial year.

	<u>2014</u>	<u>Group 2013</u>
Net loss for the financial year (RM'000)	(519,443)	(88,267)
Weighted average number of ordinary/preference shares in issue ('000)	2,370,370	1,309,305
Loss per share (sen)	<u>(21.9)</u>	<u>(6.7)</u>

Diluted loss per share

The diluted loss per share of the Group is similar to the basic loss per share as the options over unissued ordinary shares granted pursuant to the ESOS at the end of the financial year have an anti-dilutive effect. The exercise price of the ESOS of RM1.25 per option is above the average market value of the Company's shares during the financial year.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 12 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2014 RM'000	Additions RM'000	Reclassification RM'000	Disposals RM'000	Depreciation charge RM'000	Write off RM'000	At 31 December 2014 RM'000
<u>Group and Company</u>							
<u>Net book value</u>							
Aircraft engines, airframe and service potential	2,161,676	307,346	94,438	(573,658)	(165,588)	-	1,824,214
Aircraft spares	79,572	16,798	-	-	(13,810)	(4,890)	77,670
Motor vehicles	1,944	-	-	-	(596)	-	1,348
Office equipment, furniture and fittings	1,219	3,887	-	-	(736)	-	4,370
Assets not yet in operation	30,802	90,622	(94,438)	-	-	-	26,986
	<u>2,275,213</u>	<u>418,653</u>	<u>-</u>	<u>(573,658)</u>	<u>(180,730)</u>	<u>(4,890)</u>	<u>1,934,588</u>

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Accumulated impairment losses</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2014</u>				
Aircraft engines, airframe and service potential	2,351,224	(497,963)	(29,047)	1,824,214
Aircraft spares	138,112	(49,814)	(10,628)	77,670
Motor vehicles	4,408	(3,060)	-	1,348
Office equipment, furniture and fittings	9,317	(4,537)	(410)	4,370
Assets not yet in operation	26,986	-	-	26,986
	<u>2,530,047</u>	<u>(555,374)</u>	<u>(40,085)</u>	<u>1,934,588</u>
	<u>At 1 January 2013</u> RM'000	<u>Additions</u> RM'000	<u>Depreciation charge</u> RM'000	<u>At 31 December 2013</u> RM'000
<u>Group and Company</u>				
<u>Net book value</u>				
Aircraft engines, airframe and service potential	1,252,274	1,017,198	(107,796)	2,161,676
Aircraft spares	71,141	20,093	(11,662)	79,572
Motor vehicles	825	1,614	(495)	1,944
Office equipment, furniture and fittings	1,582	242	(605)	1,219
Assets not yet in operation	-	30,802	-	30,802
	<u>1,325,822</u>	<u>1,069,949</u>	<u>(120,558)</u>	<u>2,275,213</u>
	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Accumulated impairment losses</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2013</u>				
Aircraft engines, airframe and service potential	2,567,336	(376,613)	(29,047)	2,161,676
Aircraft spares	133,574	(43,374)	(10,628)	79,572
Motor vehicles	4,407	(2,463)	-	1,944
Office equipment, furniture and fittings	5,430	(3,801)	(410)	1,219
Assets not yet in operation	30,802	-	-	30,802
	<u>2,741,549</u>	<u>(426,251)</u>	<u>(40,085)</u>	<u>2,275,213</u>

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 25) with a net book value of RM1,682 million (2013: RM2,066 million).

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

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

The net cash outflow for the acquisition of property, plant and equipment during the financial year is as follows:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Acquisition of property, plant and equipment during the financial year	418,653	1,069,949
Less: Deposits on aircraft purchases paid in the previous financial year	(66,192)	(187,284)
	<u>352,461</u>	<u>882,665</u>



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## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 13 DEFERRED TAXATION

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	445,793	359,630	445,793	359,630

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of financial year	359,630	234,840	359,630	234,840
Credited/(charged) to income statement (Note 10):				
- Property, plant and equipment	43,395	27,058	43,395	27,058
- Unrealised foreign exchange differences	32,403	(1,568)	32,403	(1,568)
- Tax losses	42,665	(691)	42,665	(691)
- Tax incentives	(32,834)	99,899	(32,834)	99,899
- Others	534	92	534	92
	86,163	124,790	86,163	124,790
At end of financial year	445,793	359,630	445,793	359,630

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 13 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets (before offsetting)				
- Tax incentives	251,456	284,290	251,456	284,290
- Tax losses	59,263	16,598	59,263	16,598
- Property, plant and equipment	102,766	59,371	102,766	59,371
- Derivatives	31,414	-	31,414	-
- Others	894	360	894	360
	445,793	360,619	445,793	360,619
Offsetting	-	(989)	-	(989)
Deferred tax assets (after offsetting)	445,793	359,630	445,793	359,630
Deferred tax liability (before offsetting)				
- Unrealised foreign exchange differences	-	989	-	989
Offsetting	-	(989)	-	(989)
Deferred tax liability (after offsetting)	-	-	-	-

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. As disclosed in Note 3 to the financial statements in respect of critical accounting estimates and judgments, 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. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at end of the reporting date.

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 50% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2014 to 31 August 2019, to be set off against 50% 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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**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**14 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 2014 are in respect of aircraft purchases which will be delivered from January 2015 to May 2025.

During the financial year ended 31 December 2014, the Group and Company capitalised borrowing costs amounting to RM10,054,000 (2013: RM10,460,000) on qualifying assets. Borrowing costs were capitalised at the rate of 4.90% (2013: 5.48%) per annum.

**15 OTHER DEPOSITS AND PREPAYMENTS**

Other deposits and prepayments include prepayments for maintenance of aircraft and deposits paid to lessors for leased aircraft. These prepayments and deposits are denominated in US Dollar.

**16 INVESTMENTS IN SUBSIDIARIES**

	<u>Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Unquoted investments, at cost	#	#
	<u>          </u>	<u>          </u>

# Denotes RM21 (2013: RM12).

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## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activities
		2014 %	2013 %	
AirAsia X Services Pty Ltd*	Australia	100	100	Provision of management logistical and marketing services
AAX Capital Limited	Malaysia	100	100	Dormant
AAX Leasing I Limited	Malaysia	100	100	Engine leasing
AAX Mauritius One Limited*	Mauritius	100	100	Provide aircraft leasing facilities to Thai AirAsia X Co. Ltd
AirAsia Capital II Limited*	Malaysia	100	-	Dormant
Fly X Limited*	Malaysia	100	-	Dormant

\* Not audited by PricewaterhouseCoopers, Malaysia

On 20 October 2014, a wholly-owned subsidiary of the Company, AirAsia Capital II Ltd was incorporated in Labuan, Malaysia as a special purpose financing vehicle for the Company. The initial share capital of AirAsia Capital II Ltd is USD1.00 comprising 1 ordinary shares of USD1.00.

On 28 April 2014, a wholly-owned subsidiary of the Company, Fly X Limited as a special purpose financing vehicle was incorporated in Labuan, Malaysia for the Company's aircraft pre-delivery payment purpose. The initial share capital of Fly X Limited is USD1.00 comprising 1 ordinary shares of USD1.00.

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## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 17 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted investments, at cost	20,018	20,018	20,018	20,018
Group's share of post-acquisition losses	(20,018)	(502)	-	-
	-	19,516	20,018	20,018

The details of the associate are as follows:

Name	Principal place of business/ country of incorporation	Group's effective equity interest		Principal activities
		2014 %	2013 %	
Thai AirAsia X Co. Ltd ("TAAX")	Thailand	49	49	Commercial air transport services

TAAX is a private company for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investment in TAAX.

TAAX is operator of commercial air transport services which are based in Thailand. This associate company is strategic investment of the Company and form an essential part of the Company's growth strategy. They provide access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

Summarised financial information for associate

Set out below is the summarised financial information for the associate which is accounted for using the equity method:

Summarised balance sheet

	TAAX	
	2014 RM'000	2013 RM'000
<u>Current</u>		
Cash and cash equivalents	26,438	31,831
Other current assets	52,603	7,741
Total current assets	79,041	39,572

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AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Summarised balance sheet (continued)

	<u>TAA</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Non-current</u>		
<u>Assets</u>	19,495	1,542
Financial liabilities	(24,731)	(15)
Other liabilities	(110,142)	(1,270)
Total current liabilities	(134,873)	(1,285)
Net (liabilities)/assets	<u>(36,337)</u>	<u>39,829</u>

Summarised statement of comprehensive income

	<u>TAA</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Revenue	160,964	-
Cost of sales	(209,473)	(746)
Other operating expenses	(28,503)	(333)
Interest income	272	55
Interest expense	(251)	-
Other income	825	-
Loss before taxation	(76,166)	(1,024)
Income tax expenses	-	-
Loss after tax	(76,166)	(1,024)
Other comprehensive income	-	-
Total comprehensive loss	<u>(76,166)</u>	<u>(1,024)</u>
Dividend received from associate	-	-

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## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation of summarised financial information

	<u>TAA</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Opening net assets at 1 January /acquisition date	39,829	40,853
Loss for the financial year	(76,166)	(1,024)
Closing net (liabilities)/assets at 31 December	<u>(36,337)</u>	<u>39,829</u>
Interest in associate (49%)	-	<u>19,516</u>
Unrecognised share of loss (49%)		
- for the year	17,805	-
- cumulative	<u>17,805</u>	<u>-</u>
Carrying value at 31 December	-	<u>19,516</u>

## 18 INVESTMENT IN A JOINT VENTURE

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	53,888	-	53,888	-
Group's share of post-acquisition losses	(16,322)	-	-	-
	<u>37,566</u>	<u>-</u>	<u>53,888</u>	<u>-</u>

The details of the joint venture are as follows:

<u>Name</u>	<u>Principal place of business/ country of incorporation</u>	<u>Group's effective equity interest</u>		<u>Principal activities</u>
		<u>2014</u>	<u>2013</u>	
		%	%	
PT Indonesia AirAsia Extra ("IAAX")	Indonesia	49	-	Commercial air transport services

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**18 INVESTMENT IN A JOINT VENTURE (CONTINUED)**

On 23 January 2014, the Company entered into a Shareholders' Agreement with PT Kirana Anugerah Perkasa ("PTKAP") for the purpose of establishing a long-haul low cost airline in Indonesia which will operate through an Indonesian incorporated entity, PT. Indonesia AirAsia Extra ("IAAX"). The Company subscribed to 14,700,000 ordinary shares, representing 49% of the paid-up share capital of IAAX for a cash consideration of IDR143,545,500,000 (equivalent to RM53,888,000).

IAAX is a private company for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investment in IAAX.

IAAX is operator of commercial air transport services which are based in Indonesia. This joint venture company is strategic investment of the Company and form an essential part of the Company's growth strategy. They provide access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

Summarised financial information for joint venture

Set out below is the summarised financial information for the joint venture which is accounted for using the equity method:

Summarised balance sheet

	<u>IAAX</u> <u>2014</u> RM'000
<u>Current</u>	
Cash and cash equivalents	54,211
Other current assets	54,766
Total current assets	<u>108,977</u>
<u>Non-current</u>	
Assets	<u>26,634</u>
Financial liabilities	(26,222)
Other liabilities	(32,723)
Total current liabilities	<u>(58,945)</u>
Net assets	<u><u>76,666</u></u>



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**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

Summarised statement of comprehensive income

	IAAX for period ended <u>31 December 2014</u> RM'000
Revenue	7
Cost of sales	(28,181)
Other operating expenses	(5,562)
Interest income	641
Interest expense	(215)
	<hr/>
Loss before and after tax	(33,310)
Other comprehensive income	-
	<hr/>
Total comprehensive loss	<u>(33,310)</u>
	<hr/>
Dividend received from joint venture	-
	<hr/>

Reconciliation of summarised financial information

	IAAX <u>2014</u> RM'000
Opening net assets at acquisition date	109,976
Loss for the financial year	(33,310)
	<hr/>
Closing net assets at 31 December	<u>76,666</u>
	<hr/>
Interest in joint venture (49%)	<u>37,566</u>
	<hr/>
Carrying value at 31 December	<u>37,566</u>

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## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
<u>Non-current</u>				
Forward foreign exchange contracts – cash flow hedges	-	-	60,388	-
<u>Current</u>				
Commodity derivatives – held for trading	-	(102,993)	5,541	-

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

## (i) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 were nil (2013: RM741.1million).

During the financial year 2014, the Group has terminated all cross currency interest rate swaps ("CCIRS"). The hedging instruments are derecognised from balance sheet and any cumulative gain or loss existing in equity at that time is reclassified to income statement.

## (ii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene derivative contracts at 31 December 2014 was 1,957,597 barrels (2013: 187,778 barrels). The Group entered into Singapore Jet Kerosene fixed swap contracts with AirAsia Berhad during the financial year ended 31 December 2014, where the contracts are classified as derivatives held for trading.

## 20 INVENTORIES

	Group and Company	
	2014	2013
	RM'000	RM'000
Beverages, consumables and in-flight merchandise	1,362	993

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## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 21 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables	43,176	43,675	43,146	43,675
Other receivables	51,102	46,245	51,095	46,210
Prepayments	78,350	43,277	78,350	43,275
Deposits	141,216	33,600	141,180	33,600
	313,844	166,797	313,771	166,760
Less: Allowance for impairment of receivables	(2,950)	(1,441)	(2,950)	(1,441)
	<u>310,894</u>	<u>165,356</u>	<u>310,821</u>	<u>165,319</u>

The normal credit terms of the Group and Company range from 15 to 30 days (2013: 15 to 30 days).

## (a) Trade receivables

## (i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired for the Group and Company of RM31,053,000 (2013: RM24,302,000) respectively, are substantially from companies with good collection track records.

## (ii) Financial assets that are past due but not impaired

As of 31 December 2014, trade receivables of RM11,927,000 and RM11,897,000 (2013: RM19,177,000) for the Group and Company respectively, were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

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**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**21 RECEIVABLES AND PREPAYMENTS (CONTINUED)**
**(a) Trade receivables (continued)**
**(ii) Financial assets that are past due but not impaired (continued)**

The ageing analysis of these trade receivables that are past due but not impaired is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less than 30 days	8,335	2,249	8,335	2,249
Between 31 and 60 days	211	2,540	211	2,540
Between 61 and 90 days	1,895	53	1,865	53
Between 91 and 120 days	673	35	673	35
Between 121 and 180 days	213	-	213	-
More than 180 days	600	14,300	600	14,300
	<u>11,927</u>	<u>19,177</u>	<u>11,897</u>	<u>19,177</u>

**(iii) Financial assets that are past due and/or impaired**

The carrying amounts of trade receivables individually determined to be impaired are as follows:

	Group and Company	
	2014 RM'000	2013 RM'000
More than 180 days	196	196
Less: Allowance for impairment of receivables	(196)	(196)
	<u>-</u>	<u>-</u>

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

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	196	196	196	196
Impairment	-	-	-	-
At 31 December	<u>196</u>	<u>196</u>	<u>196</u>	<u>196</u>

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

## (b) Other receivables

## (i) Financial assets that are neither past due nor impaired

Other receivables that are neither past due nor impaired of RM19,379,000 and RM19,372,000 (2013: RM31,819,000 and RM31,784,000) for the Group and Company respectively, are substantially with companies with good collection track records.

## (ii) Financial assets that are past due but not impaired

As at 31 December 2014, other receivables for the Group and Company of RM28,969,000 (2013: RM13,181,000) 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:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Less than 30 days	6,174	2,126
Between 31 and 60 days	5,701	885
Between 61 and 90 days	1,562	1,379
Between 91 and 120 days	1,784	1,634
Between 121 and 180 days	4,137	2,796
More than 180 days	9,611	4,361
	<u>28,969</u>	<u>13,181</u>

## (iii) Financial assets that are past due and/or impaired

The carrying amounts of other receivables individually determined to be impaired are as follows:

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
More than 180 days	2,754	1,245
Less: Allowance for impairment of receivables	(2,754)	(1,245)
	<u>-</u>	<u>-</u>

The individually impaired 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.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

## (b) Other receivables (continued)

## (iii) Financial assets that are past due and/or impaired (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	1,245	693	1,245	693
Impairment (Note 6)	1,509	552	1,509	552
At 31 December	<u>2,754</u>	<u>1,245</u>	<u>2,754</u>	<u>1,245</u>

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	17,585	22,530	17,585	22,530
US Dollar	186,711	74,268	186,711	74,268
Australian Dollar	17,006	14,859	16,933	14,824
Euro	241	85	241	85
Indian Rupee	1,502	1,414	1,502	1,414
New Zealand Dollar	112	62	112	62
Others	9,387	8,861	9,387	8,861
	<u>232,544</u>	<u>122,079</u>	<u>232,471</u>	<u>122,044</u>

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 receivables mentioned above. The Group and Company do not hold any collateral as security.

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**21 RECEIVABLES AND PREPAYMENTS (CONTINUED)**

Deposits of the Group and Company at the balance sheet date are with a number of external parties for which there is no expectation of default.

Other receivables include refunds of value-added tax receivable from the authorities in various countries in which the Group operates.

Included in prepayments are advances made for purchases of fuel, lease of aircraft and maintenance of engines.

Deposits include funds placed with lessor in respect of maintenance of the leased aircraft.

The carrying amounts of the Group's and Company's trade and other receivables approximate their fair values.

**22 AMOUNTS DUE FROM / (TO) RELATED PARTIES, AN ASSOCIATE, A JOINT VENTURE AND SUBSIDIARIES**

The amounts due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group and Company range from 30 to 60 days (2013: 15 to 60 days).

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from related parties	38,769	16,387	38,304	16,325
Amount due from a joint venture	19,499	-	19,499	-
Amount due from an associate	5,314	1,353	-	1,353
Amount due from a subsidiary	-	-	5,314	-
	63,582	17,740	63,117	17,678
Amounts due to related parties	(23,173)	(1,916)	(23,173)	(1,916)
Amount due to an associate	(196)	-	(196)	-
Amounts due to subsidiaries	-	-	(1,896)	(1,887)
	(23,369)	(1,916)	(25,265)	(3,803)

The currency profile of amounts due from related parties, joint venture and a subsidiary are as follows:

Ringgit Malaysia	36,394	15,764	36,394	15,764
Australian Dollar	581	62	116	-
US Dollar	26,085	1,529	26,085	1,529
Others	522	385	522	385
	63,582	17,740	63,117	17,678

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**22 AMOUNTS DUE FROM / (TO) RELATED PARTIES, AN ASSOCIATE, A JOINT VENTURE AND SUBSIDIARIES (CONTINUED)**

Amounts due from related parties, an associate, a joint venture, and a subsidiary that are neither past due nor impaired amounted to RM53,639,000 and RM53,558,000 (2013: RM17,709,000 and RM17,678,000) for the Group and Company respectively.

The ageing analysis that is past due but not impaired is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less than 6 months	9,737	31	9,353	-
More than 6 months	206	-	206	-
	<u>9,943</u>	<u>31</u>	<u>9,559</u>	<u>-</u>

The maximum exposure to credit risk as at the balance sheet date is the carrying value of the amounts due from related parties, an associate, a joint venture, and a subsidiary mentioned above.

The Group and Company have 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 currency profile of amounts due to related parties, an associate and subsidiaries are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	21,894	82	21,894	82
Australian Dollar	-	14	1,132	1,348
US Dollar	1,475	1,820	1,475	1,820
New Zealand Dollar	-	-	764	553
	<u>23,369</u>	<u>1,916</u>	<u>25,265</u>	<u>3,803</u>



## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 23 DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	74,937	212,089	74,506	211,890
Deposits with licensed banks	52,261	50,887	52,261	50,887
	127,198	262,976	126,767	262,777
Deposits pledged as securities	(52,261)	(50,887)	(52,261)	(50,887)
Cash and cash equivalents	74,937	212,089	74,506	211,890

The currency profile of deposits, cash and bank balances is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	39,327	107,646	39,327	107,646
US Dollar	56,568	73,403	56,568	73,403
Australian Dollar	16,884	66,996	16,459	66,803
Chinese Renminbi	1,344	222	1,344	222
Japanese Yen	3,880	8,615	3,880	8,615
Korean Won	1,497	1,172	1,497	1,172
Euro	445	686	445	686
Others	7,253	4,236	7,247	4,230
	127,198	262,976	126,767	262,777

The Group and Company's weighted average effective interest rate of deposits at the balance sheet date is 1.44% (2013: 2.75%) per annum.

The deposits with licensed banks of the Group and Company amounting to RM52,261,000 (2013: RM50,887,000) are pledged as securities for banking facilities granted to the Group and Company (Note 25).

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**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**24 TRADE AND OTHER PAYABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Trade payables	379,634	203,297	379,634	203,297
Other payables and accruals	449,168	143,481	448,385	142,783
	<u>828,802</u>	<u>346,778</u>	<u>828,019</u>	<u>346,080</u>

Included in other payables and accruals are operational expenses payable to airport authorities, passenger service charges and provision for maintenance of leased aircraft.

The credit term of trade payables granted to the Group and Company is 30 days (2013: 30 days).

The currency profile of trade and other payables is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	282,721	148,751	282,721	148,751
US Dollar	431,953	139,924	431,953	139,924
Australian Dollar	55,344	22,930	54,561	22,232
Euro	9,029	7,650	9,029	7,650
Taiwan Dollar	3,306	2,461	3,306	2,461
Japanese Yen	18,355	6,347	18,355	6,347
Korean Won	4,643	2,242	4,643	2,242
Chinese Renminbi	10,114	10,889	10,114	10,889
Others	13,337	5,584	13,337	5,584
	<u>828,802</u>	<u>346,778</u>	<u>828,019</u>	<u>346,080</u>

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

25	BORROWINGS	Weighted average rate of finance		Group and Company	
		2014 %	2013 %	2014 RM'000	2013 RM'000
	<u>Current</u>				
	Secured:				
	- Revolving credit	4.19	3.56	316,026	261,185
	- Term loans	4.24	4.68	162,202	184,674
	- Hire purchase	2.80	2.80	17	21
	Unsecured:				
	- Commodity structured trade finance	5.88	-	35,000	-
				<u>513,245</u>	<u>445,880</u>
	<u>Non-current</u>				
	Secured:				
	- Revolving credit	-	3.56	-	179,686
	- Term loans	4.24	4.68	1,066,051	1,370,626
	- Hire purchase	2.80	2.80	49	61
				<u>1,066,100</u>	<u>1,550,373</u>
	Total borrowings			<u>1,579,345</u>	<u>1,996,253</u>

Total borrowings as at 31 December 2014 consist of the following banking facilities:

	Group and Company	
	2014 RM'000	2013 RM'000
Fixed rate borrowings	1,228,319	1,534,835
Floating rate borrowings	351,026	461,418
	<u>1,579,345</u>	<u>1,996,253</u>

The Group's and Company's borrowings are repayable as follows:

Not later than 1 year	513,245	445,880
Later than 1 year and not later than 5 years	648,858	899,680
Later than 5 years	417,242	650,693
	<u>1,579,345</u>	<u>1,996,253</u>

The currency profile of borrowings is as follows:

Ringgit Malaysia	75,066	40,082
US Dollar	1,504,279	1,956,171
	<u>1,579,345</u>	<u>1,996,253</u>

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**25 BORROWINGS (CONTINUED)**

The carrying amounts and fair values of the fixed rate non-current borrowings are as follows:

	Group and Company			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	1,066,051	1,006,804	1,358,298	1,320,583
Hire purchase	49	53	66	70
	<u>1,066,100</u>	<u>1,006,857</u>	<u>1,358,364</u>	<u>1,320,653</u>

The fair values of borrowings classified as current liabilities, equal their carrying amounts, as the impact of discounting is not significant.

The fair values of the non-current fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group and Company's credit risk at the balance sheet date, at 2.80% to 4.89% (2013: 2.80% to 3.98%) per annum. The fair values of non-current borrowings are within level 2 of the fair value hierarchy.

Total borrowings include secured liabilities of RM1.5 billion (2013: RM2.0 billion).

Revolving credit facilities

The revolving credit facility of RM276,026,000 as at 31 December 2014 (2013: RM400,871,000) is to finance pre-delivery payments ("PDPs") in respect of the Group's and Company's firm order of Airbus A330-300 aircraft, with an option to acquire additional Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft and carries interest ranging from 3.2% to 3.25% (2013: 3.2% to 3.25%) per annum above the bank's USD cost of funds.

The revolving credit facility of RM40,000,000 as at 31 December 2014 (2013: RM40,000,000) is to finance the Group's and Company's corporate working capital requirements. The tenure of revolving credit facility is up to 5 years. This facility carries an interest at cost of funds plus 3% (2013: 3%) per annum.

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 10 to 12 years, with equal principal instalments, at fixed interest rates of between 2.82% to 5.45% (2013: 2.82% and 7.03%) per annum. The 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.

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**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**25 BORROWINGS (CONTINUED)**
Commodity structured trade finance

The commodity structured trade finance of RM35,000,000 as at 31 December 2014 is to finance the Group's and Company's prepayment for the delivery of jet fuel by Petronas Dagangan Berhad. This facility is repayable within 1 month from the drawdown date and carries an interest at cost of funds plus 2% per annum.

**26 SHARE CAPITAL**

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Authorised:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial year	-	270,000
Sub-division of shares	-	(270,000)
	<u>          </u>	<u>          </u>
At end of financial year	-	-
	<u>          </u>	<u>          </u>
Ordinary shares of RM0.15 each:		
At beginning of financial year	500,000	-
Sub-division of shares	-	270,000
Increased during the financial year	-	230,000
	<u>          </u>	<u>          </u>
At end of financial year	500,000	500,000
	<u>          </u>	<u>          </u>
Redeemable Convertible Preference Shares of RM1.00 each ("RCPS"):		
At beginning of financial year	-	50,000
Cancellation of RCPS	-	(50,000)
	<u>          </u>	<u>          </u>
At end of financial year	-	-
	<u>          </u>	<u>          </u>
Total authorised	<u>500,000</u>	<u>500,000</u>

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**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**26 SHARE CAPITAL (CONTINUED)**

	<u>Group and Company</u>	
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Issued and fully paid up:</u>		
Ordinary shares of RM1.00 each:		
At beginning of financial year	-	224,000
Conversion of RCPS	-	42,667
Sub-division of shares	-	(266,667)
	<u>-</u>	<u>-</u>
At end of financial year	-	-
Ordinary shares of RM0.15 each:		
At beginning of financial year	355,556	-
Sub-division of shares	-	266,667
Issuance of shares during the financial year	-	88,889
	<u>355,556</u>	<u>355,556</u>
At end of financial year	355,556	355,556
Redeemable Convertible Preference Shares of RM1.00 each ("RCPS"):		
At beginning of financial year	-	42,667
Conversion of RCPS	-	(42,667)
	<u>-</u>	<u>-</u>
At end of financial year	-	-
Total issued and fully paid up	<u>355,556</u>	<u>355,556</u>

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

26 **SHARE CAPITAL (CONTINUED)**

On 10 May 2013, all the outstanding 42,666,667 Redeemable Convertible Preference Shares ("RCPS") of RM1 each in the Company was converted on a one-to-one basis, into 42,666,667 new ordinary shares of RM1 each in the Company, without consideration. On 13 May 2013, the Company cancelled its authorised share capital for RCPS of RM1 each, amounting to RM50,000,000.

In the previous financial year, the Company implemented the following transactions as part of an initial public offering ("IPO") exercise:

- (i) On 13 May 2013, the Company subdivided all of its existing 266,666,668 ordinary shares of RM1 each into 1,777,777,787 ordinary shares of RM0.15 each, by way of every three (3) ordinary shares of RM1 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 RM270,000,000 to RM500,000,000, comprising 3,333,333,333 shares of RM0.15 each by the creation of 1,533,333,333 ordinary shares of RM0.15 each;
- (ii) On 10 June 2013, the Company issued a Prospectus in conjunction with an IPO of up to 790,123,500 ordinary shares of RM0.15 each in the Company, comprising an offer for sale of up to 197,530,900 existing ordinary shares of RM0.15 each and a public issue of 592,592,600 new ordinary shares of RM0.15 each to retail and institutional investors at a retail price of RM1.25 per share;
- (iii) In conjunction with the IPO, the Company implemented an Employee Share Option Scheme ("ESOS") to recognise the contribution of the Eligible Employees of up to 9,550,000 ESOS new ordinary shares of RM0.15 each, to be issued and awarded upon the terms and conditions of the By-Laws of the ESOS.

The entire enlarged issued and paid up ordinary share capital of RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each were listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad on 10 July 2013.

**EMPLOYEE SHARE OPTION SCHEME ("ESOS")**

The Company had implemented an ESOS which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years. The ESOS is governed by the By-Laws which were approved by the shareholders on 12 October 2012.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

26 SHARE CAPITAL (CONTINUED)

EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONTINUED)

The main features of the ESOS are as follows:

- (a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the Scheme, shall not exceed ten per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.
- (b) The ESOS Committee has been appointed and duly authorised by the Board (and governed by the By-Laws) may, at its absolute discretion, offer such number of ESOS Options to the Eligible Employees during the subsistence of the ESOS, provided that such number of new Shares issued under the ESOS Options granted shall not exceed the maximum number permitted under the Listing Requirements, the By-Laws and any laws, regulations and guidelines issued by other relevant authorities.
- (c) An Eligible Employee who accepts an offer of ESOS Option must return, on or before the expiry date, the duly completed prescribed acceptance form accompanied by the payment of the sum of RM1.00 as a consideration for acceptance of that offer. If that offer is not accepted in such manner, the offer shall, upon the expiry date, automatically lapse and be null and void.
- (d) The subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.25 per share.
- (e) The options granted are exercisable one year beginning from the date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank pari passu in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

Grant date	Expiry date	Exercise price RM/share	At			At	
			1.1.2014 '000	Granted '000	Exercised '000	Forfeited '000	31.12.2014 '000
1 July 2013	11 October 2017	1.25	9,550	-	-	(3,400)	6,150

The vested options are not exercised as at the balance sheet date.



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## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 27 COMMITMENTS

(a) Capital commitments not provided for in the financial statements are as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
Property, plant and equipment – approved and contracted for:		
- Not later than 1 year	3,640,862	3,798,706
- Later than 1 year and not later than 5 years	12,773,934	23,551,979
- Later than 5 years	58,548,565	12,168,353
	<u>74,963,361</u>	<u>39,519,038</u>

Included in capital commitments as at 31 December 2014 is the purchase of Airbus A330 and A350 aircraft over the next 12 years.

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

	Group and Company			
	2014		2013	
	Future minimum lease payments	Future minimum sublease receipts	Future minimum lease payments	Future minimum sublease receipts
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	665,326	111,688	325,015	-
Later than 1 year and not later than 5 years	3,314,688	446,751	1,119,568	-
Later than 5 years	4,977,571	420,343	1,139,078	-
	<u>8,957,585</u>	<u>978,782</u>	<u>2,583,661</u>	<u>-</u>

The group leases various aircraft and engines under non-cancellable operating lease agreements. The lease terms are between 10 to 12 years.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

**28 SIGNIFICANT RELATED PARTY TRANSACTIONS**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

The related parties of the Company and their relationships at 31 December 2014 are as follows:

<u>Name of Companies</u>	<u>Relationship</u>
AirAsia X Services Pty Ltd	Subsidiary
AirAsia X NZ Ltd	Subsidiary
AirAsia X Mauritius One Ltd	Subsidiary
Thai AirAsia X Co Ltd ("TAA")	Associate
PT Indonesia AirAsia Extra ("IAAX")	Joint Venture
AirAsia Berhad ("AAB")	Shareholder of the Company for which there is no control, significant influence or joint control, and common Directors and shareholders
CaterhamJet Global Ltd ("CJG")	Common Directors and shareholders
<u>Associates of AirAsia Berhad</u>	
- Thai AirAsia Co. Ltd ("TAA")	Common Directors and shareholders
- PT Indonesia AirAsia ("IAA")	Common Directors and shareholders
- AirAsia Japan Co. Ltd ("JAA")*	Common Directors and shareholders
- AirAsia Inc ("PAA")	Common Directors and shareholders
- Zest Airway Inc ("AAZ")	Common Directors and shareholders
<u>Joint ventures of AirAsia Berhad</u>	
- Asian Aviation Centre of Excellence Sdn Bhd	Common Directors and shareholders
- AAE Travel Pte Ltd ("AAE")	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	Common Directors and shareholders
- Tune Box Sdn Bhd	Common Directors and shareholders
- Asian Contact Centres Sdn Bhd	Common Directors and shareholders

\* JAA ceased as a related party of the Company/Group as at 28 June 2013.

All related party transactions were carried out on agreed terms and conditions.

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 28(g) below.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) <u>Income:</u>				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	-	-	69,880	-
- PT Indonesia AirAsia Extra	19,457	-	19,457	-
- Thai AirAsia X Co. Ltd	69,880	-	-	-
Provision of carried passenger services to				
- AirAsia Berhad	8,827	8,827	8,827	8,827
Commission on travel insurance for passengers charged to				
- Tune Insurance Malaysia Berhad	2,710	1,833	2,710	1,833
(b) <u>Recharges:</u>				
Recharges of expenses to				
- PT Indonesia AirAsia	1,144	347	-	-
- Thai AirAsia Co. Ltd	-	423	-	423
- AirAsia Japan Co. Ltd	-	590	-	590
- Zest Airway Inc	1,118	-	1,118	-
Recharges of expenses by				
- AirAsia Berhad	(7,388)	(6,998)	(7,388)	(6,998)
- Thai AirAsia Co. Ltd	(3,136)	-	(3,136)	-
(c) <u>Other charges:</u>				
Management fees charged by				
- AirAsia X Services Pty Ltd	-	-	(3,508)	(2,972)
Brand license fee charged by				
- AirAsia Berhad	(8,530)	(8,530)	(8,530)	(8,530)
Training services charged by				
- Asian Aviation Centre of Excellence Sdn Bhd	(5,459)	(6,680)	(5,459)	(6,680)
Marketing services charged by				
- AAE Travel Pte Ltd	(53)	(101)	(53)	(101)
In-flight entertainment system and software expense charged by				
- Tune Box Sdn Bhd	(1,994)	(1,653)	(1,994)	(1,653)

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(c) <u>Other charges:</u> (continued)				
Telecommunication and operational expenses charged by				
- Asian Contact Centres Sdn Bhd	(14,062)	(9,167)	(14,062)	(9,167)
Charter air travel services charged by				
- CaterhamJet Global Ltd	(4,856)	(5,083)	(4,856)	(5,083)
(d) <u>Premium collected on travel insurance for passengers paid to:</u>				
- Tune Insurance Malaysia Berhad	(10,839)	(7,333)	(10,839)	(7,333)
(e) <u>Receivables:</u>				
- AAX Mauritius One Limited	-	-	5,314	-
- Thai AirAsia Co. Ltd	-	-	-	-
- PT Indonesia AirAsia	20,492	-	20,027	-
- AirAsia Inc	2,248	-	2,248	-
- Thai AirAsia X Co. Ltd	5,314	1,353	-	1,353
- PT Indonesia AirAsia Extra	19,499	-	19,499	-
- AirAsia Berhad	13,861	16,161	13,861	16,161
- Zest Airway Inc	1,754	-	1,754	-
- Others	414	226	414	164
	<u>63,582</u>	<u>17,740</u>	<u>63,117</u>	<u>17,678</u>
(f) <u>Payables:</u>				
- Asian Aviation Centre of Excellence Sdn Bhd	5,421	1,746	5,421	1,746
- Asian Contact Centres Sdn Bhd	10,253	-	10,253	-
- PT Indonesia AirAsia	-	14	-	14
- AirAsia Inc	-	4	-	4
- Tune Box Sdn Bhd	1,088	-	1,088	-
- Tune Insurance Malaysia Berhad	781	-	781	-
- Thai AirAsia Co. Ltd	2,939	152	2,939	152
- AirAsia X Services Pty Ltd	-	-	1,132	1,334
- AirAsia X NZ Ltd	-	-	764	553
- CaterhamJet Global Ltd	2,621	-	2,621	-
- Others	266	-	266	-
	<u>23,369</u>	<u>1,916</u>	<u>25,265</u>	<u>3,803</u>

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(g) <u>Key management compensation:</u>				
- basic salaries, bonus and allowances	7,076	7,956	7,076	7,956
- defined contribution plan	976	886	976	886
	8,052	8,842	8,052	8,842

**29 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's and Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and Company's businesses whilst managing their market risk (including fuel price risk, interest rate risk and foreign currency exchange risk), credit risk and liquidity and cash flow risk. The Group and Company operate within defined guidelines that are approved and reviewed periodically by the Board of Directors to minimise the effects of such volatility on their financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Risk management policies and procedures are reviewed regularly to reflect changes in the market condition, and the Group's and Company's activities.

The Group and Company also seek to ensure that the financial resources that are available for the development of the Group's and Company'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 and Company are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group and Company rely 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 and Company upon consumption of the fuel, within "Aircraft fuel expenses" in Operating Expenses.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Fuel price risk (continued)

During the financial year ended 31 December 2014, the Group and Company entered into Singapore Jet Kerosene fixed swap. There were 1,957,597 barrels (2013: 187,778 barrels) of Singapore Jet Kerosene contract outstanding as at 31 December 2014.

As at 31 December 2014, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year end equity are tabulated below:

	2014		2013	
	+USD5 RM'000	-USD5 RM'000	+USD5 RM'000	-USD5 RM'000
Impact on post tax profits	34,129	(34,129)	3,084	(3,084)
Impact on other comprehensive income	-	-	-	-

(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 and Company's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's and Company's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

The Group manages its cash flow interest rate risk by entering into a cross currency interest rate swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debts. This hedging strategy ensures that the Group is paying a fixed interest expense on its borrowings and that the performance of the Group is not significantly impacted by the fluctuation in interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**
**(a) Market risk (continued)**
**(ii) Interest rate risk (continued)**

At 31 December 2014, if interest rate on USD denominated borrowings had been 60 basis points higher/lower, the impact on the post-tax profit for the financial year would have been RM3.42 million (2013: RM4.39 million) higher/lower with all other variables held constant.

	2014		2013	
	+60bps RM'000	-60bps RM'000	+60bps RM'000	-60bps RM'000
Impact on post tax profits	(3,423)	3,423	(4,388)	4,388
Impact on other comprehensive income	-	-	-	-

**(iii) Foreign currency risk**

Apart from Ringgit Malaysia ("RM"), the Group and Company transact business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY"). In addition, the Group and Company have significant borrowings in USD, mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and Company's firm order of Airbus A330-300 aircraft (Note 25). Therefore, the Group and Company are exposed to currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency, or whenever possible by intragroup arrangements and settlements.

As at 31 December 2014, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been RM83 million (2013: RM92 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings (term loan and finance lease). The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows:

<u>At 31 December 2014</u>	<u>USD</u> RM'000	<u>AUD</u> RM'000	<u>EURO</u> RM'000	<u>INR</u> RM'000	<u>RMB</u> RM'000	<u>JPY</u> RM'000	<u>Others</u> RM'000
<b>Financial assets</b>							
Receivables	186,711	17,006	241	1,502	-	-	9,499
Amounts due from related parties, an associate, and a joint venture	26,085	581	-	-	522	-	-
Deposits, cash and bank balances	56,568	16,884	445	-	1,344	3,880	8,750
Other deposits *	109,163	-	-	-	-	-	-
	<u>378,527</u>	<u>34,471</u>	<u>686</u>	<u>1,502</u>	<u>1,866</u>	<u>3,880</u>	<u>18,249</u>
<b>Financial liabilities</b>							
Trade and other payables	431,953	55,344	9,029	-	10,114	18,355	21,286
Amounts due to related parties and an associate	1,475	-	-	-	-	-	-
Borrowings	1,504,279	-	-	-	-	-	-
Derivative financial instruments	102,993	-	-	-	-	-	-
	<u>2,040,700</u>	<u>55,344</u>	<u>9,029</u>	<u>-</u>	<u>10,114</u>	<u>18,355</u>	<u>21,286</u>
Net exposure	<u>(1,662,173)</u>	<u>(20,873)</u>	<u>(8,343)</u>	<u>1,502</u>	<u>(8,248)</u>	<u>(14,475)</u>	<u>(3,037)</u>

\* Includes currency exposure for other deposits that are financial assets only.



## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (a) Market risk (continued)

## (iii) Foreign currency risk (continued)

The Group's currency exposure is as follows: (continued)

<u>At 31 December 2013</u>	<u>USD</u>	<u>AUD</u>	<u>EURO</u>	<u>INR</u>	<u>RMB</u>	<u>JPY</u>	<u>Others</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>							
Receivables	74,268	14,859	85	1,414	-	-	8,923
Amounts due from related parties and an associate	1,529	62	-	-	-	-	385
Derivative financial instruments	65,929	-	-	-	-	-	-
Deposits, cash and bank balances	73,403	66,996	686	-	222	8,615	5,408
Other deposits *	50,397	-	-	-	-	-	-
	<u>265,526</u>	<u>81,917</u>	<u>771</u>	<u>1,414</u>	<u>222</u>	<u>8,615</u>	<u>14,716</u>
<u>Financial liabilities</u>							
Trade and other payables	139,924	22,930	7,650	-	10,889	6,347	10,287
Amounts due to related parties	1,820	14	-	-	-	-	-
Borrowings	1,956,171	-	-	-	-	-	-
	<u>2,097,915</u>	<u>22,944</u>	<u>7,650</u>	<u>-</u>	<u>10,889</u>	<u>6,347</u>	<u>10,287</u>
Net exposure	<u>(1,832,389)</u>	<u>58,973</u>	<u>(6,879)</u>	<u>1,414</u>	<u>(10,667)</u>	<u>2,268</u>	<u>4,429</u>

\* Includes currency exposure for other deposits that are financial assets only.

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (a) Market risk (continued)

## (iii) Foreign currency risk (continued)

The Company's currency exposure is as follows:

At 31 December 2014	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
<u>Financial assets</u>							
Receivables	186,711	16,933	241	1,502	-	-	9,499
Amounts due from related parties, a joint venture and a subsidiary	26,085	116	-	-	522	-	-
Deposits, cash and bank balances	56,568	16,459	445	-	1,344	3,880	8,744
Other deposits *	109,163	-	-	-	-	-	-
	<u>378,527</u>	<u>33,508</u>	<u>686</u>	<u>1,502</u>	<u>1,866</u>	<u>3,880</u>	<u>18,243</u>
<u>Financial liabilities</u>							
Trade and other payables	431,953	54,561	9,029	-	10,114	18,355	21,286
Amounts due to related parties, an associate and subsidiaries	1,475	1,132	-	-	-	-	764
Borrowings	1,504,279	-	-	-	-	-	-
Derivative financial instruments	102,993	-	-	-	-	-	-
	<u>2,040,700</u>	<u>55,693</u>	<u>9,029</u>	<u>-</u>	<u>10,114</u>	<u>18,355</u>	<u>22,050</u>
Net exposure	<u>(1,662,173)</u>	<u>(22,185)</u>	<u>(8,343)</u>	<u>1,502</u>	<u>(8,248)</u>	<u>(14,475)</u>	<u>(3,807)</u>

\* Includes currency exposure for other deposits that are financial assets only.

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (a) Market risk (continued)

## (iii) Foreign currency risk (continued)

The Company's currency exposure is as follows: (continued)

<u>At 31 December 2013</u>	<u>USD</u>	<u>AUD</u>	<u>EURO</u>	<u>INR</u>	<u>RMB</u>	<u>JPY</u>	<u>Others</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>							
Receivables	74,268	14,824	85	1,414	-	-	8,923
Amounts due from related parties and an associate	1,529	-	-	-	-	-	385
Derivative financial instruments	65,929	-	-	-	-	-	-
Deposits, cash and bank balances	73,403	66,803	686	-	222	8,615	5,402
Other deposits *	50,397	-	-	-	-	-	-
	<u>265,526</u>	<u>81,627</u>	<u>771</u>	<u>1,414</u>	<u>222</u>	<u>8,615</u>	<u>14,710</u>
<u>Financial liabilities</u>							
Trade and other payables	139,924	22,232	7,650	-	10,889	6,347	10,287
Amounts due to related parties and subsidiaries	1,820	1,348	-	-	-	-	553
Borrowings	1,956,171	-	-	-	-	-	-
	<u>2,097,915</u>	<u>23,580</u>	<u>7,650</u>	<u>-</u>	<u>10,889</u>	<u>6,347</u>	<u>10,840</u>
Net exposure	<u>(1,832,389)</u>	<u>58,047</u>	<u>(6,879)</u>	<u>1,414</u>	<u>(10,667)</u>	<u>2,268</u>	<u>3,870</u>

\* Includes currency exposure for other deposits that are financial assets only.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT** (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (b) Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's and Company's receivables from customers, cash and cash equivalents and financial assets (derivative instruments).

The Group's and Company's exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances, and receivables. As the Group and Company do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the balance sheet. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures.

Credit risk relating to receivables is minimised by regular monitoring and, in addition, credit risk is controlled as the majority of the Group's and Company's deposits and bank balances are placed with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

The Group and Company generally have no concentration of credit risk arising from trade receivables, other than as disclosed in Note 21 to the financial statements.

## (c) Liquidity and cash flow risk

The Group's and Company's policy on liquidity risk management is to maintain sufficient cash and cash equivalents and to have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

Whilst the Group's and Company's current liabilities exceeded their current assets by RM1,462,163,000 and RM1,464,271,000 (2013: RM762,703,000 and RM764,439,000) respectively as at 31 December 2014, the Directors are of the view that no material uncertainty relating to these conditions exists that may cast significant doubt on the Group's or Company's ability to continue as a going concern. The Directors believe that the Group and Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. In addition, on 27 January 2015, the Company had secured an additional term loan facility amounting to RM75 million for working capital purposes.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (c) Liquidity and cash flow risk (continued)

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

GroupAt 31 December 2014

	<u>Under 1 year</u> RM'000	<u>1-2 years</u> RM'000	<u>2-5 years</u> RM'000	<u>Over 5 years</u> RM'000
Term loans	197,977	192,574	544,588	432,552
Revolving credit	319,627	-	-	-
Commodity structured trade finance	35,079	-	-	-
Hire purchase	19	19	37	-
Trade and other payables	828,802	-	-	-
Amounts due to related parties	23,173	-	-	-
Amount due to an associate	196	-	-	-
	<u>1,404,873</u>	<u>192,593</u>	<u>544,625</u>	<u>432,552</u>

At 31 December 2013

	<u>Under 1 year</u> RM'000	<u>1-2 years</u> RM'000	<u>2-5 years</u> RM'000	<u>Over 5 years</u> RM'000
Term loans	248,771	468,421	423,324	714,822
Revolving credit	307,437	152,336	-	-
Hire purchase	19	37	37	-
Trade and other payables	346,778	-	-	-
Amounts due to related parties	1,916	-	-	-
	<u>904,921</u>	<u>620,794</u>	<u>423,361</u>	<u>714,822</u>

## APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (c) Liquidity and cash flow risk (continued)

CompanyAt 31 December 2014

	<u>Under 1 year</u> RM'000	<u>1-2 years</u> RM'000	<u>2-5 years</u> RM'000	<u>Over 5 years</u> RM'000
Term loans	197,977	192,574	544,588	432,552
Revolving credit	319,627	-	-	-
Commodity structured trade finance	35,079	-	-	-
Hire purchase	19	19	37	-
Trade and other payables	828,019	-	-	-
Amounts due to related parties	23,173	-	-	-
Amounts due to subsidiaries	1,896	-	-	-
Amount due to an associate	196	-	-	-
	<u>1,405,986</u>	<u>192,593</u>	<u>544,625</u>	<u>432,552</u>

At 31 December 2013

	<u>Under 1 year</u> RM'000	<u>1-2 years</u> RM'000	<u>2-5 years</u> RM'000	<u>Over 5 years</u> RM'000
Term loans	248,771	468,421	423,324	714,822
Revolving credit	307,437	152,336	-	-
Hire purchase	19	37	37	-
Trade and other payables	346,080	-	-	-
Amounts due to related parties	1,916	-	-	-
Amounts due to subsidiaries	1,887	-	-	-
	<u>906,110</u>	<u>620,794</u>	<u>423,361</u>	<u>714,822</u>

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than <u>1 year</u> RM'000	<u>1 – 2 years</u> RM'000	<u>2-5 years</u> RM'000	<u>Over 5 years</u> RM'000
<u>Group and Company</u>				
<u>At 31 December 2014</u>				
Net-settled derivatives				
Trading	103,145	-	-	-
<u>At 31 December 2013</u>				
Net-settled derivatives				
Trading	-	-	-	-

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**29 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 in order provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Group and Company's balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Group and Company's balance sheets plus net debt.

During 2014, the Group's strategy, which was unchanged from 2013. The gearing ratio as at the 31 December 2014 and 2013 were as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Total borrowings (Note 25)	1,579,345	1,996,253	1,579,345	1,996,253
Less: Cash and cash equivalents (Note 23)	(74,937)	(212,089)	(74,506)	(211,890)
Net debt	1,504,408	1,784,164	1,504,839	1,784,363
Total equity attributable to equity holders of the Group and Company	703,630	1,236,155	737,862	1,234,921
Total capital	2,208,038	3,020,319	2,242,701	3,019,284
Gearing ratio	68.1%	59.1%	67.1%	59.1%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 31 December 2013, except that the Group and the Company did not meet certain financial ratio covenants for three borrowing facilities totalling RM173 million as at 31 December 2014. Consequently, borrowing facilities amounting to RM138 million were reclassified as short term borrowings under current liabilities at that date. The remaining RM35 million of borrowing facility was already classified as short term borrowings under current liabilities as it is repayable within a year. The respective lenders had granted indulgences to the Group and the Company from having to comply with the financial covenant ratios for the financial year ended 31 December 2014. As the covenants are enforced annually, the Group monitors compliance with the financial covenant ratios at the end of each financial year. In the event of a breach, the Group will seek indulgences from the respective banks to ensure that the Group and the Company are not in default of any borrowings. The Group's and the Company's overall strategy for capital risk management remains unchanged.



## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

Determination of fair value and fair value hierarchy

The Group's financial instruments are measured in the balance sheet at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group and Company's assets and liabilities that are measured at fair value.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group and Company</u>				
<u>31 December 2014</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	102,993	-	102,993
	-	102,993	-	102,993
<u>31 December 2013</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	5,541	-	5,541
Derivatives used for hedging	-	60,388	-	60,388
	-	65,929	-	65,929

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)****(e) Fair value measurement (continued)**

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's over the counter ("OTC") derivatives. The Group's level 2 hedging derivatives comprise fuel swap contracts. Specific valuation technique used to value financial instruments includes:

- The fair value of CCIRS contracts is determined using forward interest rates extracted from observable yield curves and forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

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AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 30 FINANCIAL INSTRUMENTS

## (a) Financial instruments by category

<u>Group</u>	<u>Loan and receivables</u> RM'000
<u>31 December 2014</u>	
<u>Assets as per balance sheet</u>	
Trade and other receivables excluding prepayments	232,544
Other deposits excluding prepayments	109,163
Amounts due from related parties	38,769
Amount due from a joint venture	19,499
Amount due from an associate	5,314
Deposits, cash and bank balances	127,198
Total	<u>532,487</u>

	<u>Liabilities at fair value through the profit and loss</u> RM'000	<u>Other financial liabilities at amortised cost</u> RM'000	<u>Total</u> RM'000
<u>Liabilities as per balance sheet</u>			
Borrowings	-	1,579,345	1,579,345
Trade and other payables	-	828,802	828,802
Amount due to related parties	-	23,173	23,173
Amount due to an associate	-	196	196
Derivative financial instruments	102,993	-	102,993
Total	<u>102,993</u>	<u>2,431,516</u>	<u>2,534,509</u>

## APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 30 FINANCIAL INSTRUMENTS (CONTINUED)

## (a) Financial instruments by category (continued)

<u>Group</u>	<u>Loan and receivables</u> RM'000	<u>Assets at fair value through the profit and loss</u> RM'000	<u>Derivatives used for hedging</u> RM'000	<u>Total</u> RM'000
<u>31 December 2013</u>				
<u>Assets as per balance sheet</u>				
Trade and other receivables excluding prepayments	122,079	-	-	122,079
Other deposits	90,751	-	-	90,751
Amount due from related parties	16,387	-	-	16,387
Amount due from an associate	1,353	-	-	1,353
Deposits, cash and bank balances	262,976	-	-	262,976
Derivative financial instruments	-	5,541	60,388	65,929
Total	<u>493,546</u>	<u>5,541</u>	<u>60,388</u>	<u>559,475</u>
				<u>Other financial liabilities at amortised cost</u> RM'000
<u>Liabilities as per balance sheet</u>				
Borrowings				1,996,253
Trade and other payables				346,778
Amount due to a related parties				1,916
Total				<u>2,344,947</u>

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AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 30 FINANCIAL INSTRUMENTS (CONTINUED)

## (a) Financial instruments by category (continued)

<u>Company</u>	<u>Loan and receivables</u> RM'000
<u>31 December 2014</u>	
<u>Assets as per balance sheet</u>	
Trade and other receivables excluding prepayments	232,471
Other deposits excluding prepayments	109,163
Amount due from related parties	38,304
Amount due from a joint venture	19,499
Amount due from a subsidiary	5,314
Deposits, cash and bank balances	126,767
Total	<u>531,518</u>

	<u>Liabilities at fair value through the profit and loss</u> RM'000	<u>Other financial liabilities at amortised cost</u> RM'000	<u>Total</u> RM'000
<u>Liabilities as per balance sheet</u>			
Borrowings	-	1,579,345	1,579,345
Trade and other payables	-	828,019	828,019
Amount due to a related parties	-	23,173	23,173
Amount due to subsidiaries	-	1,896	1,896
Amount due to an associate	-	196	196
Derivative financial instruments	102,993	-	102,993
Total	<u>102,993</u>	<u>2,432,629</u>	<u>2,535,622</u>

## APPENDIX IV

AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 30 FINANCIAL INSTRUMENTS (CONTINUED)

## (a) Financial instruments by category (continued)

<u>Company</u>	<u>Loan and receivables</u> RM'000	<u>Assets at fair value through the profit and loss</u> RM'000	<u>Derivatives used for hedging</u> RM'000	<u>Total</u> RM'000
<u>31 December 2013</u>				
<u>Assets as per balance sheet</u>				
Trade and other receivables excluding prepayments	122,044	-	-	122,044
Other deposits	90,751	-	-	90,751
Amount due from related parties	16,325	-	-	16,325
Amount due from an associate	1,353	-	-	1,353
Deposits, cash and bank balances	262,777	-	-	262,777
Derivative financial instruments	-	5,541	60,388	65,929
Total	<u>493,250</u>	<u>5,541</u>	<u>60,388</u>	<u>559,179</u>
				<u>Other financial liabilities at amortised cost</u> RM'000
<u>Liabilities as per balance sheet</u>				
Borrowings				1,996,253
Trade and other payables				346,080
Amount due to related parties				1,916
Amount due to an associate				1,887
Total				<u>2,346,136</u>

## APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT (cont'd)**

AIRASIA X BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**30 FINANCIAL INSTRUMENTS (CONTINUED)**
**(b) Credit quality of financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	<u>2014</u>	<u>Group</u> <u>2013</u>
	RM'000	RM'000
<u>Counterparties without external credit rating</u>		
Group 1	12,746	4,006
Group 2	18,307	20,296
Total trade receivables that are neither past due nor impaired	<u>31,053</u>	<u>24,302</u>
<u>Cash at bank and short term deposits</u>		
AAA	12,159	15,822
AA2	4,960	-
AA3	47,280	185,905
A2	14,504	14,793
A3	47,706	45,691
	<u>126,609</u>	<u>262,211</u>
<u>Derivative financial assets</u>		
AA+ to A+	-	519
A to BBB-	-	65,410
	<u>-</u>	<u>65,929</u>

Group 1 – New customers/related parties (Less than 6 months)

Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than 6 months) with some defaults in the past.

All defaults were fully recovered.

All other receivables and deposits are substantially with existing counterparties with no history of default.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT** *(cont'd)*

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**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)****31 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. With the termination of certain routes in the previous financial year, the operating segments have been reassessed and identified as North Asia, Australia and Middle East and West Asia.

The operating segments derive their revenues 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, 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 2014 and 31 December 2013 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 arrival at its destination, as recorded in the aircraft flight log.



## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 31 SEGMENTAL INFORMATION (CONTINUED)

The Group's operations by geographical segments are as follows:

2014	North Asia RM'000	Australia RM'000	West Asia and Middle East RM'000	Total RM'000
External revenue				
- Scheduled flights	841,295	520,412	268,412	1,630,119
- Charter flights	9,065	-	162,568	171,633
- Fuel surcharge	145,838	198,075	220	344,133
- Freight and cargo	82,485	27,812	3,581	113,878
- Ancillary revenue	284,994	262,893	38,598	586,485
- Management fees	583	499	61	1,143
- Aircraft operating lease income	45,632	38,965	4,739	89,336
	<u>1,409,892</u>	<u>1,048,656</u>	<u>478,179</u>	<u>2,936,727</u>
Operating expenses				
- Staff costs	(142,217)	(119,190)	(51,611)	(313,018)
- Fuel and oil	(732,340)	(629,728)	(157,856)	(1,519,924)
- Maintenance, overhaul and user charges and other related expenses	(299,329)	(245,183)	(93,655)	(638,167)
- Aircraft operating lease expenses	(140,375)	(115,210)	(82,393)	(337,978)
- Other operating costs	(150,775)	(131,607)	(31,572)	(313,954)
- Other income	105,551	75,806	9,387	190,744
- Share of results of an associate	(10,937)	(7,081)	(1,498)	(19,516)
- Share of results of a joint venture	(9,147)	(5,922)	(1,253)	(16,322)
	<u>30,323</u>	<u>(129,459)</u>	<u>67,728</u>	<u>(31,408)</u>
Gross (loss)/profit	30,323	(129,459)	67,728	(31,408)
<b>EBITDAR</b>	<b>170,698</b>	<b>(14,249)</b>	<b>150,121</b>	<b>306,570</b>
EBITDA	30,323	(129,459)	67,728	(31,408)
Depreciation of property, plant and equipment	(86,253)	(72,561)	(21,916)	(180,730)
EBIT	(55,930)	(202,020)	45,812	(212,138)
Interest income	3,560	2,422	367	6,349
Interest expense and finance charges	(85,101)	(66,840)	(7,717)	(159,658)
Foreign exchange loss	(70,374)	(59,449)	(7,098)	(136,921)
Other loss	(54,897)	(43,117)	(4,979)	(102,993)
(Loss)/profit before tax	(262,742)	(369,004)	26,385	(605,361)
Taxation	44,160	37,304	4,454	85,918
Net (loss)/profit for the financial year	<u>(218,582)</u>	<u>(331,700)</u>	<u>30,839</u>	<u>(519,443)</u>

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**31 SEGMENTAL INFORMATION (CONTINUED)**

The Group's operations by geographical segments are as follows: (continued)

<u>2013</u>	<u>North Asia</u> RM'000	<u>Australia</u> RM'000	<u>West Asia and Middle East</u> RM'000	<u>Total</u> RM'000
External revenue				
- Scheduled flights	754,456	517,820	132,375	1,404,651
- Charter flights	4,681	-	102,320	107,001
- Fuel surcharge	110,503	139,221	4,115	253,839
- Freight and cargo	60,220	29,215	583	90,018
- Ancillary revenue	217,918	217,075	17,501	452,494
- Management fees	178	142	27	347
	<u>1,147,956</u>	<u>903,473</u>	<u>256,921</u>	<u>2,308,350</u>
Operating expenses				
- Staff costs	(111,110)	(90,686)	(31,805)	(233,601)
- Fuel and oil	(551,308)	(465,215)	(84,693)	(1,101,216)
- Maintenance, overhaul and user charges and other related expenses	(227,885)	(166,358)	(57,126)	(451,369)
- Aircraft operating lease expenses	(73,529)	(59,761)	(53,373)	(186,663)
- Other operating costs	(90,446)	(92,596)	(20,419)	(203,461)
- Other income	9,281	6,801	4,319	20,401
- Share of results of an associate	(286)	(178)	(38)	(502)
	<u>102,673</u>	<u>35,480</u>	<u>13,786</u>	<u>151,939</u>
Gross profit	<u>102,673</u>	<u>35,480</u>	<u>13,786</u>	<u>151,939</u>
<b>EBITDAR</b>	<b>176,202</b>	<b>95,241</b>	<b>67,159</b>	<b>338,602</b>
EBITDA	102,673	35,480	13,786	151,939
Depreciation of property, plant and equipment	(61,291)	(47,467)	(11,800)	(120,558)
EBIT	41,382	(11,987)	1,986	31,381
Interest income	2,142	1,238	231	3,611
Interest expense and finance charges	(39,821)	(31,424)	(5,177)	(76,422)
Foreign exchange loss	(90,047)	(73,593)	(12,531)	(176,171)
Other gain	2,521	1,847	1,173	5,541
Loss before tax	(83,823)	(113,919)	(14,318)	(212,060)
Taxation	63,275	51,713	8,805	123,793
Net loss for the financial year	<u>(20,548)</u>	<u>(62,206)</u>	<u>(5,513)</u>	<u>(88,267)</u>

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

**AIRASIA X BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**
**31 SEGMENTAL INFORMATION (CONTINUED)**
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.

**32 UNCONSOLIDATED STRUCTURED ENTITIES**

The Company has set up Merah X entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Company enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the company to possess and operate each of the Airbus A330-300 aircraft financed under the facility.

The SPC are orphan trust companies in which the Company has no equity interest.

The details of the Merah X entities are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Purpose</u>
Merah X Satu Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft
Merah X Dua Limited	Malaysia	Purchase of 3 Airbus A330-300 aircraft
Merah X Tiga Limited	Malaysia	Purchase of 2 Airbus A330-343 aircraft
Merah X Empat Limited	Malaysia	Purchase of 1 Airbus A330-300 aircraft
Merah X Lima Limited	Malaysia	Purchase of 1 Airbus A330-300 aircraft
Merah X Enam Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft

The SPC do not incur any losses or earn any income during the financial year ended 31 December 2014. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

The Group and the Company does not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT** *(cont'd)*

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AIRASIA X BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 33 EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

On 30 January 2015, the Company announced the proposal to undertake a renounceable rights issue of new ordinary shares of RM0.15 each in AirAsia X Berhad together with free detachable warrants to raise gross proceeds of up to RM395 million. This corporate transaction was approved by the shareholders at the Extraordinary General Meeting held on 27 March 2015.

## 34 RECLASSIFICATION OF COMPARATIVES

During the financial year ended 31 December 2014, the presentation of the other (loss)/gain was changed to better reflect the operating performance of the Group and the Company.

Previously, other (loss)/gain was charged/credited in arriving at operating (loss)/profit.

Comparatives had been re-presented to align with the current year's presentation.

## APPENDIX IV

## AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)

AIRASIA X BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)

## 35 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

The following analysis of realised and unrealised retained profits is prepared in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of AirAsia X Berhad and its subsidiaries:				
- Realised	(212,298)	(108,897)	(214,510)	(110,711)
- Unrealised	(260,775)	119,429	(260,775)	119,429
	(473,073)	10,532	(475,285)	8,718
Total share of accumulated losses from associated company:				
- Realised	(20,018)	(502)	-	-
Total share of accumulated losses from joint venture	(16,322)	-	-	-
Total retained earnings as per consolidated financial statements	(509,413)	10,030	(475,285)	8,718

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

APPENDIX IV

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**


**AIRASIA X BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Tan Sri Rafidah Aziz and Datuk Kamarudin Bin Meranun, being two of the Directors of AirAsia X Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 99 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2014 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The information set out in Note 35 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 29 APR 2015



TAN SRI RAEIDAH AZIZ  
DIRECTOR



DATUK KAMARUDIN BIN MERANUN  
DIRECTOR

**STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Datuk Kamarudin Bin Meranun, the Director primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 99 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

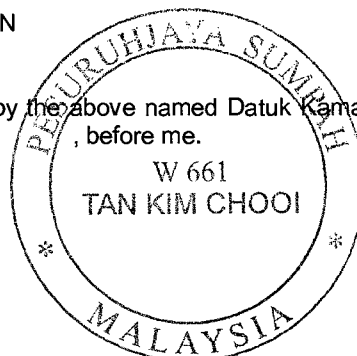


DATUK KAMARUDIN BIN MERANUN

Subscribed and solemnly declared by the above named Datuk Kamarudin Bin Meranun at Kuala Lumpur in Malaysia on 29 APR 2015, before me.



COMMISSIONER FOR OATHS



16TH FLOOR 101 WISMA SIME DARBY  
JALAN RAJA LAUT, 50350 KUALA LUMPUR

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AIRASIA X BERHAD**  
(Incorporated in Malaysia)  
(Company No. 734161 K)**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of AirAsia X Berhad on pages 6 to 99 which comprise the balance sheets as at 31 December 2014 of the Group and of the Company, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 34.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT (cont'd)**

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AIRASIA X BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 734161 K)**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 35 on page 100 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR FYE 31 DECEMBER 2014 TOGETHER  
WITH THE AUDITORS' REPORT *(cont'd)*

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INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AIRASIA X BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 734161 K)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A large, stylized handwritten signature in black ink, appearing to read 'P. Mathy'.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

A large, stylized handwritten signature in black ink, appearing to read 'Irvin George Luis Menezes'.

IRVIN GEORGE LUIS MENEZES  
(No. 2932/06/16 (J))  
Chartered Accountant

Kuala Lumpur  
29 April 2015

## 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  
Malaysia

Date: 05 MAY 2015

**To: The Entitled Shareholders of AirAsia X Berhad ("AAX")**

Dear Sir/Madam,

On behalf of the Board of Directors of AAX ("**Board**"), I wish to report that, after due enquiries in relation to the AAX and its subsidiaries ("**Group**") during the period between 31 December 2014, being the date on which the latest audited consolidated financial statements of AAX have been made up, and up to the date hereof, being a date not earlier than 14 days before the issuance of this Abridged Prospectus, that:-

- (a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of our Group, which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 9.3.2 of this Abridged Prospectus, there are no other contingent liabilities which have arisen by reason of any guarantee or indemnity given by any company within our Group;
- (e) there has been no default or any known event, that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings since the last audited consolidated financial statements of our Group, which the Board is aware of;
- (f) there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group, since the last audited consolidated financial statements of our Group; and
- (g) as disclosed above and up to the date of this letter, no other reports are required in relation to items (a) to (f) above.

Yours faithfully,  
For and on behalf of the Board  
**AIRASIA X BERHAD**

**DATUK KAMARUDIN BIN MERANUN**  
Non-Independent Executive Director and Group Chief Executive Officer

**AirAsia X Berhad** (734161-K)  
Lot PT16 Jalan KLIA S7, Southern Support Zone,  
Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia  
Our Office: +603 8660 4600 Our Fax: +603 8660 4777

airasia.com

## FURTHER INFORMATION

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### 1. SHARE CAPITAL

- (i) Save for the Exercised Shares, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of issue of this Abridged Prospectus.
- (ii) Save as disclosed below, no person has been, is or would be entitled to be granted an option to subscribe for any securities in our Company as at the LPD:
  - (a) pursuant to the Rights Issue with Warrants, our Entitled Shareholders will be provisionally allotted with the Rights Shares and Warrants.
  - (b) under the ESOS, the maximum number of AAX Shares that may be offered for subscription and allotted upon the exercise of the ESOS Options to the employees and Directors of our Group shall not exceed in aggregate, 10% of the total issued and paid-up share capital of our Company (excluding treasury shares) at any point in time during the duration of the ESOS.

As at the LPD, 6,150,000 ESOS Options have been granted which are exercisable between the period from 1 July 2014 to 11 October 2017 at an exercise price of RM1.25 each.

### 2. ARTICLES OF ASSOCIATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:

#### Article 108

*"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."*

#### Article 109

*"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."*

## FURTHER INFORMATION (*cont'd*)

### Article 110

*“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 of 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.”*

### 3. CONSENTS

Our Principal Adviser, Financial Adviser for the Rights Issue with Warrants, Managing Underwriter, Joint Underwriters, Company Secretaries, Principal Bankers, Share Registrar, Solicitors for the Rights Issue with Warrants, have given and have not subsequently withdrawn their written consents for the inclusion of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

PricewaterhouseCoopers, our Auditors and Reporting Accountants has given and has not subsequently withdrawn its written consent for the inclusion of its name, letter relating to our pro forma consolidated balance sheet as at 31 December 2014 and report relating to our audited consolidated financial statements for the FYE 31 December 2014, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consents for the inclusion of its name and/or citation of the historical share prices compiled by them, in the form and context in which they appear in this Abridged Prospectus.

IATA and CAPA, Centre For Asia Pacific Aviation Pty Ltd, have given and have not subsequently withdrawn their written consents for the inclusion of their names and/or citation of the market data compiled by them, in the form and context in which they appear in this Abridged Prospectus.

### 4. STATEMENT OF CONFLICT OF INTEREST

#### 4.1 CIMB

CIMB has been appointed as our Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants. CIMB is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser, Managing Underwriter and Joint Underwriter to our Company for the Rights Issue with Warrants.

CIMB and its related and associated companies (“**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 and perform services for our Company and any of our respective affiliates, in addition to the roles as Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants.

In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to engage in any transactions (on its own account or otherwise) with any member of our Group and/or our affiliates, hold long or short

**FURTHER INFORMATION (cont'd)**

positions, and may trade or otherwise effect transactions on its own account or the account of its customers in debt or equity securities of our Group. This is a result of the businesses of the CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB 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 Group.

CIMB Group has in the ordinary course of its banking business, granted credit facilities to our Group. As at the LPD, CIMB Group has granted a total of RM545.48 million facilities to our Group, of which the outstanding amount owing by our Group to the CIMB Group was approximately RM267.13 million. It is expected that our Company will channel part of the proceeds raised from the Rights Issue with Warrants to repay approximately RM75.00 million of the amount owing to the CIMB Group.

CIMB Group is of the view that the aforementioned extension of credit facilities does not result in conflict of interest situation in respect of its capacity as Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants as:

- (i) the total credit facilities is not material when compared to the audited total net assets of the CIMB Group as at the FYE 31 December 2014 of approximately RM38.39 billion;
- (ii) the extension of credit facilities arose in the ordinary course of business of CIMB Group in view of CIMB Group's extensive participation in the Malaysian banking industry; and
- (iii) the conduct of CIMB Group in its banking business is strictly regulated by the FSA, IFSA and CIMB Group's own internal controls and checks.

**4.2 ECM Libra Capital Sdn Bhd**

ECM Libra Capital has been appointed as our Financial Adviser for the Rights Issue with Warrants. ECM Libra Capital is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Financial Adviser to our Company for the Rights Issue with Warrants.

ECM Libra Capital is a wholly-owned subsidiary of ECM Libra Financial Group Berhad ("ECMFG"), where Mr. Lim Kian Onn, who is a director of AAX, is also a director and substantial shareholder of ECMFG. Similarly, Dato' Seri Kalimullah Bin Masheerul Hassan, who is a director of AAX, is also a director of ECMFG.

ECM Libra Capital is of the view that the aforementioned common directorship of Mr. Lim Kian Onn and Dato' Seri Kalimullah Bin Masheerul Hassan do not result in conflict of interest situation in respect of its capacity as the Financial Adviser for the Rights Issue with Warrants as:

- (i) both Mr. Lim Kian Onn and Dato' Seri Kalimullah Bin Masheerul Hassan do not sit on the board of directors of ECM Libra Capital; and
- (ii) both Mr. Lim Kian Onn and Dato' Seri Kalimullah Bin Masheerul Hassan are not involved in the day-to-day running of ECM Libra Capital, where the company is regulated under the Securities Commission Malaysia and licensed by the same to provide advisory on corporate finance.

**FURTHER INFORMATION (cont'd)**

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**5. MATERIAL CONTRACTS**

Save as disclosed below and the Underwriting Agreement, we confirm that there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years immediately preceding the date of issuance of this Abridged Prospectus:

- (i) on 27 May 2013, our Company entered into a retail underwriting agreement with the selling shareholders (being Aero Ventures Sdn Bhd, Orix Airlines Holdings Limited and Menara Malaysia I Limited), the joint managing underwriters (being CIMB, Maybank Investment Bank Berhad, KIBB and RHB Investment Bank Berhad) and the joint underwriters (being CIMB, KIBB, Maybank Investment Bank Berhad, RHB Investment Bank Berhad, AFFIN Investment Bank Berhad and MIDF) for the underwriting of 252,111,700 new Shares to be issued pursuant to the retail offering ("**Retail Offering Shares**") as part of our initial public offering for a total underwriting commission of up to 2.0% of the total value of the underwritten Retail Offering Shares at the retail price of RM1.45 per Retail Offering Share, subject to clawback and reallocation provisions and the over-allotment options;
- (ii) on 27 May 2013, our Company entered into a lock up agreement with the joint global coordinators (being CIMB, Credit Suisse (Singapore) Limited and Maybank Investment Bank Berhad) and the Joint Bookrunners (being Barclays Bank PLC, BNP Paribas (Singapore Branch), CIMB, Citigroup Global Markets Limited, CLSA Singapore Pte Ltd, Credit Suisse Securities (Malaysia) Sdn Bhd, Maybank Investment Bank Berhad, Morgan Stanley & Co. International plc and the Hong Kong and Shanghai Banking Corporation Limited (Singapore Branch), under which our Company agrees that for a period of 180 days from the listing date of 10 July 2013 (being the date of our admission to the official list of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities) our Company shall not, without the prior written consent of the joint global coordinators, (a) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for our Shares), whether any such transaction is to be settled by delivery of our Shares or such other securities, in cash or otherwise; (b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers, in whole or in part any of the economic consequences of ownership of our Shares (or any securities convertible into or exercisable or exchangeable for or that represent that right to receive or are substantially similar to, our Shares), whether any such transaction is to be settled by delivery of our Shares or such other securities, in cash or otherwise; (c) deposit any Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to our Shares) in any depository receipt facilities; or (d) agree to do or announce any intention to do any of the above or an offering or sale of any of our Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the United States Securities Act of 1933 with respect to any of the foregoing, whereby the restrictions shall not apply to the Shares issued pursuant to our initial public offering as well as Shares and options issued/granted pursuant to our ESOS;

**FURTHER INFORMATION (cont'd)**

- (iii) on 21 June 2013, our Company entered into an institutional placement agreement (which was supplemented by an agreement dated 9 July 2013) with the managers (being CIMB, Credit Suisse (Singapore) Limited, Maybank Investment Bank Berhad, Barclays Bank PLC, BNP Paribas (Singapore Branch), Citigroup Global Markets Limited, CLSA Singapore Pte Ltd, Credit Suisse Securities (Malaysia) Sdn Bhd, Morgan Stanley & Co. International plc, the Hong Kong and Shanghai Banking Corporation Limited (Singapore Branch), KIBB and RHB Investment Bank Berhad) and the selling shareholders (being Aero Ventures Sdn Bhd, Orix Airlines Holdings Limited and Menara Malaysia I Limited) in relation to the placement of 538,011,800 Shares under the institutional offering in conjunction with the initial public offering of 790,123,500 Shares and the listing of and quotation for the entire Shares in the Company on the Main Market of Bursa Securities at a placement fee and selling commission of up to 2.5% on the Institutional Price (being the price paid by the investors pursuant to the institutional offering) multiplied by the number of Shares sold pursuant to the institutional offering;
- (iv) on 18 September 2013, our Company entered into a joint venture agreement (which was supplemented by an agreement dated 1 July 2014) with Mr. Tassapon Bijleveld ("TB") and Mr. Julpas Kruesopon ("JK"), the shareholders of Thai AirAsia X Co., Ltd ("TAAX") for the purpose of setting out the terms governing the relationship amongst the parties in TAAX and to regulate the businesses and affairs of TAAX. Following the joint venture agreement, our Company holds 49%, TB holds 41% and JK holds remaining 10% of the total shares in TAAX;
- (v) on 24 January 2014, our Company entered into a joint venture agreement with PT Kirana Anugerah Perkasa ("PTKAP"), the shareholder of PT Indonesia AirAsia Extra ("IAAX") for the purpose of setting out the terms governing the relationship between both parties in IAAX and to regulate the businesses and affairs of IAAX. Following the joint venture agreement, PTKAP holds 51% and our Company holds 49% of the total shares in IAAX; and
- (vi) on 29 April 2015, our Company executed the Deed Poll to constitute the issuance of the Warrants pursuant to the Rights Issue with Warrants, the principal terms which are set out in Section 2.4 of this Abridged Prospectus.

**6. MATERIAL LITIGATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board does not have any knowledge of any such proceedings, pending or threatened against our Group or of any facts which is likely to give rise to any such proceedings which may materially and adversely affect the position or business of our Group.

**7. GENERAL**

- (i) There are no existing or proposed service contracts entered or to be entered into by AAX with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of issuance of this Abridged Prospectus; and

**FURTHER INFORMATION (cont'd)**

- (ii) Save as disclosed in this Abridged Prospectus and to the best of their knowledge, our Board confirms that there are no:
  - (a) material information including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group;
  - (b) known trends, demands, commitments, events or uncertainties that will result in or are likely to materially increase or decrease our Group's liquidity;
  - (c) material commitments for capital expenditure;
  - (d) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from our operations; and
  - (e) known trends or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our Group's revenues or operating income.

**8. DETAILS OF OTHER CORPORATE PROPOSALS**

Save for the Rights Issue with Warrants, there are no other corporate proposals which have been approved by the authorities and/or our shareholders but have yet to be completed as at the LPD.

**9. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at our registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except on public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

- (i) our Memorandum and Articles of Association;
- (ii) our audited consolidated financial statements for the past two (2) FYEs 31 December 2013 and 31 December 2014 respectively;
- (iii) our pro forma consolidated statement of financial position of our Company as at 31 December 2014 together with the Reporting Accountants' letter as set out in Appendix III of this Abridged Prospectus;
- (iv) the Directors' Report as set out in Appendix V of this Abridged Prospectus;
- (v) the material contracts referred to in Section 5 of this Appendix;
- (vi) the consent letters referred to in Section 3 of this Appendix; and
- (vii) the letters in relation to the Undertakings from the Undertaking Shareholders as referred to in Section 3 of this Abridged Prospectus.



**FURTHER INFORMATION (cont'd)**

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**10. RESPONSIBILITY STATEMENT**

The Board of Directors of AAX has seen and approved all the documentation relating to the Rights Issue with Warrants including the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any information in the Documents false or misleading.

CIMB, being the Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

(The rest of this page has been intentionally left blank)