Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 1:

The Pro Forma 1 incorporates the effects of the Proposed Issuance of Free Warrants.

AAX intends to issue free warrants to its existing shareholders on the basis of 1 free warrant for every 2 ordinary AAX Shares held. For illustrative purposes, based on the number of AAX Shares in issue as per the audited financial statements of AAX as at 31 December 2023 of 447,072,803 AAX Shares, AAX will issue 223,536,401 free warrants. The Proposed Issuance of Free Warrants has no material effect on the Pro Forma Consolidated Statement of Financial Position of the Group except for transaction cost of RM400,000 which is charged to the profit or loss immediately.

For illustrative purposes, the Proposed Issuance of Free Warrants has the following effect on the component of the Pro Forma Consolidated Statement of Financial Position:

Total Equity

	RM ('000)
Total equity as per audited financial statement as at 31 December 2023	116,175
Less: Transaction cost	(400)
Pro forma 1 as at 31 December 2023	115,775

Deposit, bank and cash balances

	RM ('000)
Deposit, bank and cash balances as per audited financial statement as at 31 December 2023	57,689
Less: Transaction cost	(400)
Pro forma 1 as at 31 December 2023	57,289

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 2:

Proposed Private Placement

Pro Forma 2 incorporates the effects of Pro Forma 1 and the Proposed Private Placement.

Based on the conditional supplemental share sale and purchase agreement in relation to the Proposed Acquisition of AAAGL and Proposed Acquisition of AAB ("SSSPA") dated 26 July 2024 which replaced the original share sale and purchase agreement in relation to the Proposed Acquisition of AAAGL and Proposed Acquisition of AAB ("SSPA") dated 25 April 2024, the Proposed Acquisition of AAAGL and Proposed Acquisition of AAB are conditional upon AAX raising RM1,000,000,000 via a private placement exercise. For illustration purposes, assuming the Proposed Private Placement is placed at an issue price of RM1.13 per AAX Share (rounded up to the nearest sen and based on a 14.39% discount to the 5-day volume weighted average market price ("VWAP") of AAX's shares up to and including the latest practical date ("LPD") on 30 August 2024 of RM1.32), the number of shares to be issued through the Proposed Private Placement would be 884,955,752 AAX Shares.

AAX is currently in the midst of identifying investors or underwriters for the Proposed Private Placement. However, no investor or underwriter has been identified as at the date of this report.

Any increase or decrease in the share price of AAX Shares of RM1.32 per AAX Share will affect the number of shares to be issued pursuant to the Proposed Private Placement. Therefore, the final number of shares to be issued could be materially different compared to 884,955,752 AAX Shares mentioned above.

For illustrative purposes, the Proposed Private Placement has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position:

Share Capital

	No. of AAX Shares	RM ('000)
Issued and paid-up share capital as at 31 December 2023	447,072,803	51,029
Add: Proposed Private Placement	884,955,752	1,000,000
Proforma 2 as at 31 December 2023	1,332,028,555	1,051,029

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 2 (contd.):

Proposed Private Placement (contd.)

Deposit, bank and cash balances

	RM ('000)
Pro Forma 1 as at 31 December 2023	57,289
Add: Proposed Private Placement	1,000,000
Less: Transaction cost	(29,830)
Proforma 2 as at 31 December 2023	1,027,459

Total Equity

	RM ('000)
Pro forma 1 as at 31 December 2023	115,775
Add: Proposed Private Placement	1,000,000
Less: Transaction cost	(29,830)
Pro forma 2 as at 31 December 2023	1,085,945

The transaction cost in relation to the Proposed Private Placement is estimated at RM29,830,000 which is charged to the profit or loss immediately.

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 3:

Proposed Acquisition of AAAGL

Pro Forma 3 incorporates the effects of Pro Forma 2 and the Proposed Acquisition of AAAGL.

In 2023, AAAGL entered into a new brand sub-licensing agreement with Asia Aviation Public Company Limited ("AAV"), Thailand AirAsia Company Limited ("TAA"), AirAsia Inc ("AAI"), Philippines AirAsia Inc. ("PAA"), PT AirAsia Indonesia TBK ("AAID") and PT Indonesia AirAsia ("IAA") the terms of which enables AAAGL to direct the relevant activities of AAV, TAA, AAI, PAA, AAID and IAA. With the powers provided in the brand sub-license agreement and the existing equity interest held by AAAGL in these entities, AAAGL is able to achieve control over them and AAAGL is exposed to variable returns from its involvement with these entities and has the ability to affect those returns.

Following the execution of the brand sub-licensing agreement on 31 May 2023 and 15 June 2023, these entities have transitioned from associated companies into subsidiaries of AAAGL.

In addition, prior to the Proposed Acquisition of AAAGL, the following proposed transactions have been considered to have taken place in AAAGL as at 31 December 2023:-

a) Assignment of the amount due to AAB by AAI and IAA of RM1,730,000,000 to AAAGL;
b) Novation of perpetual capital securities from AAB to AAAGL for a consideration of RM1,090,577,013;
c) Assignment of the debts due from AAAGL arising from (a) and (b) above of RM2,820,577,013 to CAB; and
d) Waiver by CAB of amount due from AAAGL of RM3,468,577,013. Resulting from this, AAAGL will recognise the waiver by CAB as capital contribution.

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3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 3 (contd.):

Proposed Acquisition of AAAGL (contd.)

Based on the SSSPA, AAX intends to acquire 100% equity interest in AAAGL from CAB for a purchase consideration to be settled via issuance of 2,307,692,307 new shares in AAX ("Consideration Shares").

The Proposed Acquisition of AAAGL has been accounted for as a reverse acquisition, following the standard outlined in *MFRS 3 Business Combination*. Even though AAX is the legal acquirer, for accounting purposes, AAAGL is considered the acquirer.

Based on the SSPA dated 25 April 2024, the Group intends to acquire 100% equity interest in AAAGL for a purchase consideration of RM3,000,000,000 to be satisfied via the issuance of a fixed number of 2,307,692,307 AAX Shares. At the point of the signing of the SSPA, AAX Shares have been assigned a price of RM1.30 per share (based on 5-day VWAP of AAX share price up to and including the 15 April 2024) giving a total purchase consideration of RM3,000,000,000. Subsequently on 26 July 2024, CAB, AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn Bhd ("AAG") and AAX signed a conditional SSSPA whereby AAG novates the acquisition of AAAGL to AAX. All terms and conditions stated in the original SSPA dated 25 April 2024 between CAB and AAG remain consistent with the SSSPA except for the removal of the AAX's proposed internal restructuring in its entirety in relation to the share exchange between AAX and AAG.

There is no assurance that the market price of the AAX Shares will maintain at RM1.30 per share on the completion date of the Proposed Acquisition of AAAGL. In the event the market price of AAX Shares falls below RM1.30 per share on the completion date of the Proposed Acquisition of AAAGL, the fair value of the purchase consideration for the Proposed Acquisition of AAAGL will fall below RM3,000,000,000. Should the market price of AAX Shares increase above RM1.30 per share on the completion date of the Proposed Acquisition of AAAGL, the fair value of the purchase consideration for the Proposed Acquisition of AAAGL will be higher than RM3,000,000,000.

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 3 (contd.):

Proposed Acquisition of AAAGL (contd.)

The market price of the AAX Shares is influenced by, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX Shares, the outlook and prospects of the industries in which AAX operates, changes in regulatory requirements or market conditions. In addition, the performance of the Malaysian share market (where the AAX Shares are listed) is dependent on the economic and political conditions in Malaysia as well as external factors such as, among others, the performance of the world bourses and flows of foreign funds.

As such, the actual fair value of the purchase consideration on completion date of the Proposed Acquisition of AAAGL could be materially different from what was originally anticipated as at 25 April 2024.

For the purposes of this Pro Forma Consolidated Statement of Financial Position as at 31 December 2023, the fair value of the purchase consideration for the Proposed Acquisition of AAAGL is calculated based on RM1.32 per share, using the 5-day VWAP of AAX Shares price up to and including the LPD on 30 August 2024 as a proxy. Accordingly, for illustrative purposes, the fair value of the purchase consideration is calculated to be RM3,046,153,845.

As the Proposed Acquisition of AAAGL has been accounted for as a reverse acquisition, the total number of shares in issue and the issued and paid-up share capital will be based on the legal parent (AAX's).

For illustrative purposes, the fair value of the consideration for the acquisition of AAX is derived as follows:

	No of AAX Shares	RM'000
Fair value of AAX Shares based on VWAP of RM1.32 as at LPD	447,072,803	590,136
Proposed Private Placement	884,955,752	970,170
Estimated fair value of AAX	1,332,028,555	1,560,306

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 3 (contd.):

Proposed Acquisition of AAAGL (contd.)

For illustrative purposes, the Proposed Acquisition of AAAGL has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position:

Share capital

	No. of AAX Shares	RM ('000)
Balance of AAX Shares as per Pro Forma 2	1,332,028,555	1,051,029
Add: Consideration Shares to be issued pursuant to the Proposed Acquisition of AAAGL	2,307,692,307	3,046,154
Pro forma 3 as at 31 December 2023	3,639,720,862	4,097,183

Goodwill

	RM'000
Estimated fair value of AAX	1,560,306
Less: Total equity of AAX as per Pro forma 2 as at 31 December 2023	(1,085,945)
Goodwill arising from the deemed acquisition of AAX	474,361
Add: Existing goodwill of AAAGL Group	1,933,687
Pro forma 3 as at 31 December 2023	2,408,048

The calculation of goodwill is contingent upon several factors, including, the share price of AAX on the day of the issuance of AAX Shares, the actual net identifiable assets or liabilities of AAX assumed, and the final purchase price allocation process that will take place within 12 months from the date of completing the Proposed Acquisition of AAAGL. Any changes in these variables will directly affect the reported amount of goodwill and intangible assets. In addition, any adverse changes in the forecasted cash flows used to determine the recoverable amount of goodwill and intangible assets may lead to impairment of the recorded goodwill and intangible assets.

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Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 3 (contd.):

Proposed Acquisition of AAAGL (contd.)

For illustrative purposes, the Proposed Acquisition of AAAGL has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position (contd.):

Total Equity

	RM ('000)
Pro forma 2 as at 31 December 2023	1,085,945
Less: Net liabilities of AAAGL (Note 1)	(2,808,681)
Add: Goodwill arising from the deemed acquisition of AAX	474,361
Less: Transaction cost	(8,550)
Pro forma 3 as at 31 December 2023	(1,256,925)

Note 1:

	RM'000
Net liabilities of AAAGL group as per accountants report as at 31 December 2023	(5,187,037)
Add: Net assets adjustment arising from acquisition of AA COM Philippines	356
Adjustments relating to the Proposed Internal Reorganisation (Pro Forma 1):	
Capital contribution from CAB pursuant to Proposed Internal Reorganisation	3,468,577
Elimination of perpetual capital securities	(1,090,577)
Net liabilities of AAAGL group as at 31 December 2023 after incorporating effects of Proposed Internal Reorganisation	(2,808,681)

The transaction cost in relation to the Proposed Acquisition of AAAGL is estimated at RM8,550,000 which is charged to the profit or loss immediately.

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3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 3 (contd.):

Proposed Acquisition of AAAGL (contd.)

For illustrative purposes, the Proposed Acquisition of AAAGL has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position (contd.):

Deposit, bank and cash balances

	RM ('000)
Pro forma 2 as at 31 December 2023	1,027,459
Add: Deposit, bank and cash balances as per AAAGL accountants' report	205,340
Add: Deposit, bank and cash balances of AA COM Philippines	179
Less: Transaction cost	(8,550)
Proforma 3 as at 31 December 2023	1,224,428

The balances outstanding after the Proposal Acquisition of AAAGL between CAB and AAX will be as follows:

	RM'000
Net balance due from AAX to CAB as at Pro forma 2	(240)
Add: Increase in amounts due to CAB and its subsidiaries from AAX and its subsidiaries consequent to the completion of the Proposed Acquisition of AAAGL	(576,601)
Less: Amount due to CAB arising from the Proposed Acquisition of AAAGL	(3,046,154)
Add: Settlement of amount due to CAB via issuance of AAX Shares	3,046,154
Net balance due from AAX to CAB as at Pro forma 3	(576,841)

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Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 4:

Proposed Acquisition of AAB

Pro Forma 4 incorporates the effects of Pro Forma 3 and the Proposed Acquisition of AAB.

Based on the SSPA dated 25 April 2024 (as supplemented by SSSPA dated 26 July 2024), AAX intends to acquire 100% equity interest in AAB from CAB for a cash consideration of RM3,800,000,000.

For illustrative purposes, the Proposed Acquisition of AAB has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position:

Goodwill

	RM ('000)
Purchase consideration for the Proposed Acquisition of AAB	3,800,000
Add: Net liabilities of AAB assumed representing fair value of its identifiable assets and liabilities (Note 1)	3,882,694
Goodwill arising from the Proposed Acquisition of AAB	7,682,694

Note 1:

	RM'000
Net liabilities of AAB group as per accountants report as at 31 December 2023	(1,504,694)
Adjustments relating to the Material Subsequent Events (Pro Forma 1):	
Adjustment relating to Proposed Internal Reorganisation	
Reversal of impairment of perpetual capital securities	1,090,577
Proposed dividend to CAB pursuant to the Proposed Internal Reorganisation	(3,468,577)
Net liabilities of AAB group as at 31 December 2023 after incorporating effects of Proposed Internal Reorganisation	(3,882,694)

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 4 (contd.):

Proposed Acquisition of AAB (contd.)

For illustrative purposes, the Proposed Acquisition of AAB has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position (contd.):

For illustrative purposes, the calculation of goodwill is contingent upon several factors, amongst others, the actual net identifiable assets or liabilities of AAB assumed, and the final purchase price allocation exercise that will take place within 12 months from the date of completing the Proposed Acquisition of AAB. Any changes in these variables will directly affect the reported amount of goodwill and intangible assets. In addition, any adverse changes in the forecasted cash flows used to determine the recoverable amount of goodwill and intangible assets may lead to impairment of the recorded goodwill and intangible assets.

Prior to the Proposed Acquisition of AAB, the following proposed transactions have been considered to have taken place in AAB as at 31 December 2023:-

a) Disposal of AAX Shares for a total consideration of RM106,726,000 to CAB;
b) Novation of perpetual capital securities by AAB to AAAGL for a consideration of RM1,090,577,013;
c) Declaration of dividend by AAB from 2023 profits of RM3,468,577,013 to CAB. The declaration of dividend is subject to both lenders' consents and shareholders' approval; and
d) Assignment of debts due from AAAGL to AAB of RM2,820,577,013 to CAB.

AAB will novate RM3,800,000,000 of the amount due from CAB to AAX as part of the Proposed Acquisition of AAB.

Total Equity

	RM ('000)
Pro forma 3 as at 31 December 2023	(1,256,925)
Add: Transaction cost	(6,010)
Pro forma 4 as at 31 December 2023	(1,262,935)

The transaction cost in relation to the Proposed Acquisition of AAB is estimated at RM6,010,000 which is charged to the profit or loss immediately.

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 4 (contd.):

Proposed Acquisition of AAB (contd.)

For illustrative purposes, the Proposed Acquisition of AAB has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position (contd.):

Deposit, bank and cash balances

	RM ('000)
Pro forma 3 as at 31 December 2023	1,224,428
Add: Deposit, bank and cash balances of AAB	168,491
Less: Repayment of AAB borrowings*	(300,000)
Less: Transaction cost	(6,010)
Proforma 4 as at 31 December 2023	1,086,909

*** The utilisation of proceeds from Proposed Private Placement for the repayment of AAB's borrowings is presented here after the Proposed acquisition of AAB.**

The balances outstanding after the Proposals between CAB and AAX will be as follows:

	RM'000
Net balance due from AAX to CAB as at Pro forma 3	(576,841)
Add: Increase in amounts due from CAB and its subsidiaries to AAX and its subsidiaries consequent to the completion of the Proposed Acquisition of AAB	4,146,173
Amount due to CAB for the Proposed Acquisition of AAB	(3,800,000)
Balance due from AAX to CAB as at Proforma 4	(230,668)

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 5:

Proposed Capital Reduction

Pro Forma 5 incorporates the effects of Pro Forma 4 and the Proposed Capital Reduction.

AAX intends to reduce its issued and paid-up share capital via the Proposed Capital Reduction pursuant to Section 116 of the Companies Act 2016. The Proposed Capital Reduction is subject to court approval. For illustrative purposes, the Proposed Capital Reduction is presented to show the reduction of share capital to RM100,000,000.

The Proposed Capital Reduction has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position:

Share Capital

	No. of AAX Shares	RM ('000)
Pro forma 4 as at 31 December 2023	3,639,720,862	4,097,183
Less: Proposed Capital Reduction	-	(3,997,183)
Pro forma 5 as at 31 December 2023	3,639,720,862	100,000

Capital Reserve

	RM ('000)
Pro forma 4 as at 31 December 2023	931,700
Less: Adjustment to capital reserve arising from the Proposed Capital Reduction	425,695
Pro forma 5 as at 31 December 2023	1,357,395

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (contd.)

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions (contd.):

Pro Forma 5 (contd.):

Proposed Capital Reduction (contd.)

The Proposed Capital Reduction has the following effects on the components of the Pro Forma Consolidated Statement of Financial Position (contd.):

Accumulated losses

	RM ('000)
Pro forma 4 as at 31 December 2023	(3,571,168)
Less: Adjustment to accumulated losses arising from the Proposed Capital Reduction	3,571,488
Less: Transaction cost	(320)
Pro forma 5 as at 31 December 2023	-

Deposit, bank and cash balances

	RM ('000)
Pro forma 4 as at 31 December 2023	1,086,909
Less: Transaction cost	(320)
Pro forma 5 as at 31 December 2023	1,086,589

Total Equity

	RM ('000)
Pro forma 4 as at 31 December 2023	(1,262,935)
Less: Transaction cost	(320)
Pro forma 5 as at 31 December 2023	(1,263,255)

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For identification purpose only.

AIRASIA AVIATION GROUP LIMITED

LL03901

(Incorporated in Malaysia)

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

LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statement by director

We, Tharumalingam A/L Kanagalingam and Tan Sri Jamaludin Bin Ibrahim, being the Directors of AirAsia Aviation Group Limited ("AirAsia Aviation"), do hereby state that, in the opinion of the Directors, the financial statements of the Group and of the Economic Entity set out on pages 6 to 109 are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2023 and 31 December 2022 and of the Economic Entity as at 31 December 2021 and of their financial performance and cash flows for the years then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 July 2024.

Tharumalingam A/L Kanagalingam

Tan Sri Jamaludin Bin Ibrahim

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working world

LL03901
AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited
Level 5(A), Main Office Tower,
Financial Park Labuan Complex,
Jalan Merdeka, 87000
Federal Territory of Labuan

Reporting Accountants' Opinion on the Consolidated Financial Statements of the Group for the financial years ended 31 December 2023 and 31 December 2022 and on the financial statements of the Economic Entity for the financial year ended 31 December 2021 contained in the Accountants' Report of AirAsia Aviation Group Limited

Opinion

We have audited the accompanying financial statements of AirAsia Aviation Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the following:

i) the consolidated statements of financial position as at 31 December 2023 and 31 December 2022 of the Group, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Group for the years ended 31 December 2023, and 31 December 2022; and

ii) the statement of financial position as at 31 December 2021 of the Economic Entity, statement of comprehensive income, statement of changes in equity and statements of cash flow for the year ended 31 December 2021;

and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 6 to 109. These financial statements have been prepared for purpose of inclusion in the circular to shareholders of AirAsia X Berhad ("AAX") in connection with the proposed sale of the Group to AAX (the "Proposal").

In our opinion, the accompanying financial statements give a true and fair view of the financial position as at 31 December 2023, 31 December 2022 of the Group and as at 31 December 2021 of the Economic Entity and the financial performance and cash flows for each of the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the paragraph below under the header Reporting Accountants' Responsibilities for the Audit of these financial statements section of our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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LL03901

AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited

Independence and other ethical responsibilities

We are independent of the Group and of the Economic Entity in accordance with the By-Laws (on Professional Ethics, Conduct and Practise) of the Malaysian Institute of Accountants (By-Laws")) and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code").

Responsibility of the Directors for the financial statements

The Directors of the Group and of the Economic Entity are responsible for the preparation of the financial statements of the Group and of the Economic Entity for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors of the Group and of the Economic Entity are also responsible for such internal control as the Directors of the Group and of the Economic Entity determine is necessary to enable the preparation of these financial statements of the Group and of the Economic Entity that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Economic Entity, the Directors of the Group and of the Economic Entity are responsible for assessing the Group's and the Economic Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Group and of the Economic Entity either intend to liquidate the Group and the Economic Entity or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Economic Entity and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Economic Entity as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards of auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group and of the Economic Entity.

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited

Reporting Accountants' Responsibilities for the Audit of the Economic Entity and Consolidated Financial Statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Economic Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Group and of the Economic Entity.

- Conclude on the appropriateness of the Directors of the Group's and of the Economic Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Economic Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our opinion. However, future events or conditions may cause the Group and the Economic Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of these financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Economic Entity to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

The Board of Directors
AirAsia Aviation Group Limited

Reporting Accountants' Responsibilities for the Audit of the Economic Entity and Consolidated Financial Statements (cont'd.)

We communicate with the Directors of the Group and of the Economic Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This opinion is issued for the sole purpose of inclusion in the circular to shareholders of AirAsia X Berhad in connection with the Proposal and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

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

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

Kuala Lumpur, Malaysia
31 July 2024

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of comprehensive income

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Revenue	4	5,630,969	22,245	-
Other income		292,281	39	-
Operating expenses				
- Staff costs	5	(674,381)	(10,954)	(23)
- Depreciation of:				
- Property, plant and equipment	10	(31,432)	(160)	-
- Investment property	11	(727)	-	-
- Right-of-use assets	21	(512,393)	(77)	-
- Impairment loss on:				
- Trade receivables	15	(122,042)	-	-
- Other receivables	15	(3,870)	(822)	-
- Goodwill	11	(160,893)	-	-
- Aircraft fuel expense		(2,375,254)	-	-
- Maintenance and overhaul		(1,365,675)	-	-
- User charges		(932,643)	-	-
- Plant and equipment written off	6	(30,441)	(1)	-
- Other operating expenses		(222,453)	(16,733)	(931)
Operating loss		(508,954)	(6,463)	(954)
Finance income	7(a)	3,000	6,815	6,257
Finance costs	7(b)	(362,790)	(10,270)	-
Net operating (loss)/profit		(868,744)	(9,918)	5,303
Foreign exchange gain/(loss)	7(c)	150,083	5,156	(1,602)
Derivative gain		10,537	-	-
Gain on remeasurement of previously held interest in associate	13	1,547,872	-	-
Share of results of associates		35,237	(297,829)	-
Profit/(loss) before taxation		874,985	(302,591)	3,701
Taxation	8	(6,686)	-	-
Net profit/(loss) for the financial year		868,299	(302,591)	3,701

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

		Group	
	Note	**2023**	**2022**
		RM'000	**RM'000**
Net profit/(loss) for the financial year attributable to:			
- Owners of the parent	1,137,184	(302,591)	3,701
- Non controlling interests	(268,885)	-	-
	868,299	(302,591)	3,701
Other comprehensive gain/(loss):			
Foreign currency			
translation differences	70,403	(34,587)	1,771
Total comprehensive income/(loss)			
for the financial year	938,702	(337,178)	5,472
Total comprehensive income attributable to:			
- Owners of the parent	1,207,587	(337,178)	5,472
- Non controlling interests	(268,885)	-	-
	938,702	(337,178)	5,472

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

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of financial position

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Non-current assets				
Plant and equipment	10	818,845	251	-
Right-of-use assets	21	5,398,005	824	-
Investment property	11	67,311	-	-
Intangible assets	12	4,364,528	-	-
Investment in associates	9	-	367,324	-
Investment securities	14	5,770	-	78,672
Receivables and prepayments	15	611,065	-	-
Deferred tax assets	18	268,225	-	-
		11,533,749	368,399	78,672
Current assets				
Inventories	16	137,473	-	-
Receivables and prepayments	15	515,450	100,087	536,904
Cash and bank balances	17	205,340	10,715	166
Tax recoverable		3,965	-	-
		862,228	110,802	537,070
Less: Current liabilities				
Trade and other payables	19	5,500,890	658,456	625,952
Aircraft maintenance provisions and liabilities	20	402,436	-	-
Sales in advance	19	1,205,688	-	-
Borrowings	22	430,101	18,695	-
Current portion of long term debentures	23	190,800	-	-
Lease liabilities	21	2,135,895	264	-
Tax payables		122,995	-	-
Derivative financial instruments		467	-	-
		9,989,272	677,415	625,952
Net current liabilities		(9,127,044)	(566,613)	(88,882)
Non-current liabilities				
Trade and other payables	19	21,372	-	-
Lease liabilities	21	6,183,292	564	-
Aircraft maintenance provisions and liabilities	20	230,154	-	-
Borrowings	22	490,007	151,853	-
Non current portion of long term debentures	23	359,037	-	-
Deferred tax liabilities	18	110,346	-	-
Provision for retirement benefits	24	199,534	-	-
		7,593,742	152,417	-
		(5,187,037)	(350,631)	(10,210)

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

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Capital and reserves				
Share capital	25	21,652	21,652	21,652
Accumulated losses		(1,326,562)	(326,204)	(19,856)
Reserves	27	(929,094)	(46,079)	(12,006)
Total shareholders' deficit		(2,234,004)	(350,631)	(10,210)
Non controlling interests		(4,050,542)	-	-
Perpetual debt securities	26	1,097,509	-	-
Total deficits		(5,187,037)	(350,631)	(10,210)

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

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of changes in equity

	Share capital RM'000 (Note 25)	Capital reserve RM'000 (Note 27)	Foreign exchange reserves RM'000	Surplus reserves RM'000 (Note 27)	Merger reserve RM'000	Accumulated losses RM'000	Total RM'000	Non controlling interests RM'000	Perpetual debt securities RM'000 (Note 26)	Total equity RM'000
Group										
At 1 January 2023	21,652	25	(46,593)	489	-	(326,204)	(350,631)	-	-	(350,631)
Total comprehensive loss	-	-	70,403	-	-	1,137,184	1,207,587	(268,885)	-	938,702
Share-based payments	-	3,786	-	-	-	-	3,786	-	-	3,786
Internal reorganisation		8,233	(16,321)		(915,501)	(2,137,542)	(3,061,131)	(3,812,575)	1,097,509	(5,776,197)
Acquisition of subsidiaries	-	(33,615)	-	-	-	-	(33,615)	(128,333)	-	(161,948)
Conversion of debentures	-	-	-	-	-	-	-	159,251	-	159,251
At 31 December 2023	21,652	(21,571)	7,489	489	(915,501)	(1,326,562)	(2,234,004)	(4,050,542)	1,097,509	(5,187,037)

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AirAsia Aviation Group Limited
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Statements of changes in equity (cont'd.)

	Share capital RM'000 (Note 25)	Capital reserve RM'000 (Note 27)	Foreign exchange reserves RM'000	Surplus reserves RM'000 (Note 27)	Accumulated loss RM'000	Total equity RM'000
Group						
At 1 January 2022	21,652	-	(12,006)	-	(19,856)	(10,210)
Total comprehensive loss	-	-	(34,587)	-	(302,591)	(337,178)
Share-based payments	-	18	-	-	-	18
Acquisition of subsidiaries	-	7	-	489	(3,757)	(3,261)
At 31 December 2022	21,652	25	(46,593)	489	(326,204)	(350,631)
Economic Entity						
At 1 January 2021	21,652	-	(13,777)	-	(23,557)	(15,682)
Total comprehensive income	-	-	1,771	-	3,701	5,472
At 31 December 2021	21,652	-	(12,006)	-	(19,856)	(10,210)

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

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AirAsia Aviation Group Limited
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Statements of cash flows

	Note	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Cash flows from operating activities				
Profit/(loss) before taxation		874,985	(302,591)	3,701
Adjustments for:				
Depreciation of:				
- Plant and equipment	10	31,432	160	-
- Investment property	11	727	-	-
- Right-of-use assets	21	512,393	77	-
- Intangible assets		-	1	-
Impairment loss on:				
- Trade receivables	15	122,042		
- Other receivables	15	3,870	822	-
- Goodwill	12	160,893	1	-
Share of results of associates		(35,237)	297,829	-
Plant and equipment written off	10	30,441	1	-
Amortisation of debentures		-	-	-
Interest income	7(a)	(3,000)	(6,815)	(6,257)
Interest expense	7(b)	362,790	10,270	-
Share-based payments		3,786	-	-
Reversal on impairment of plant and equipment	10	(4,300)	-	-
Gain on remeasurement of previously held interest in associate		(1,547,872)	-	-
Derivative gain		(10,537)		
Aircraft maintenance provision	20	125,725	-	-
Net unrealised foreign exchange (gain)/loss	7(c)	(116,970)	(4,602)	4,950
Operating profit/(loss) before working capital changes		511,168	(4,847)	2,394
Changes in working capital:				
Receivables and prepayments		495,953	175,283	(495,893)
Payables and provisions		500,057	(53,939)	338,886
Inventories		(26,165)	-	-
Cash generated from/ (used in) operations		1,481,013	116,497	(154,613)
Interest paid		(300,658)	(10,259)	-
Retirement benefit plan paid		(4,066)	-	-
Interest received	7(a)	3,000	206	-
Net cash generated from/ (used in) operating activities		1,179,289	106,444	(154,613)

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Statements of cash flows (cont'd.)

	Note	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Cash flows from investing activities				
Acquisition of:				
- subsidiaries net of cash acquired	13	228,400	(3,360)	-
- additional interest in an associate		-	(174,597)	-
- plant and equipment	10	(103,852)	(98)	-
- investment securities		(3,811)	-	-
Additional subscription of shares in an associate		-	(180,232)	-
Proceeds from disposals of:				
- plant and equipment		-	3	-
- an associate		-	140	-
- an investment security	14	-	82,963	-
Net cash used in investing activities		120,737	(275,181)	-
Cash flows from financing activities				
Repayment of:				
- debentures		(252,459)	-	-
- borrowings		(183,499)		
Drawdown during the year for:				
- debentures		160,465	170,288	-
- borrowings		100,291	-	-
Payment of lease liabilities		(957,182)	(83)	-
Net (cash used in)/ generated from financing activities		(1,132,384)	170,205	-
Net (decrease)/increase for the financial year		167,642	1,468	(154,613)
Currency translation differences		1,539	9,081	1,452
Internal reorganisation		25,444	-	-
Cash and cash equivalents at beginning of the financial year		10,715	166	153,327
Cash and cash equivalents at end of the financial year		205,340	10,715	166

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

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2023

1. General information

AirAsia Aviation Group Limited ("AirAsia Aviation" or "AAAGL") is a private limited liability company, incorporated and domiciled in Malaysia. The immediate holding company is Capital A Berhad ("CAB"), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. Up to the financial year ended 31 December 2021, AAAGL equity accounted for its interests in associated companies and collectively they are known as the "Economic Entity". The Group (which comprises AAAGL and its subsidiaries) were formed in 2022 when AAAGL acquired certain subsidiaries as detailed in Note 13.

This Accountants' Report comprises the following:

(a) The consolidated statements of financial position as at 31 December 2022 and 2023 of the Group, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended; and including a summary of material accounting policy information and other explanatory notes to the financial statements.

(b) The statement of financial position as at 31 December 2021 of the Economic Entity, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;

The Group is principally engaged in investment holding, the provision of air transportation services and provision of marketing support services to the airline operators ("AOCs"). The principal activities of the subsidiaries and associates are disclosed in Note 13 and Note 9 respectively. There were no significant changes in the nature of these activities during the financial years reported in the Accountants' Report.

The address of the registered office and principal place of business of AirAsia Aviation is as follows:

Level 5(A), Main Office Tower,
Financial Park Labuan Complex,
Jalan Merdeka,
87000 Federal Territory of Labuan,
Malaysia.

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information

2.1 Basis of preparation

The financial statements of the Group and of the Economic Entity have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Labuan Companies Act, 1990.

The financial statements of the Group and of the Economic Entity have been prepared under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated. The Group and the Economic Entity adhere to the same accounting policies below unless otherwise stated.

For the financial year ended 31 December 2021, the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows are presented for the Company and equity accounted for its interests in associated companies and collectively they are known as the "Economic Entity".

For the financial year ended 31 December 2022 and 31 December 2023, the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial year ended 31 December 2022 and 31 December 2023 were presented as the "Group" (which comprises AAAGL and its subsidiaries) were formed in 2022 when AAAGL acquired certain subsidiaries as detailed in Note 13.

For the financial year ended 31 December 2023, the Group reported net current liabilities of RM9,127 million and a capital deficiency of RM5,187 million.

These conditions may affect the ability of the Group to meet its financial obligations as and when they fall due. The financial statements have been prepared on a going concern basis, as the immediate holding company, CAB, has agreed to provide financial support to enable the Group to meet its obligations as and when they fall due.

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AirAsia Aviation Group Limited
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2. Material accounting policy information (cont'd.)

2.2 Standards, amendments to published standards and interpretations that are effective

The Economic Entity have applied the following amendments for the first time for the financial year beginning on 1 January 2021:

Amendments to MFRS 4 Insurance Contracts (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 7 Financial Instruments Disclosures (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 9 Financial Instruments (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 16 Leases (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 139 Recognition and Measurement (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 16 Leases (Amendments to COVID-19 Related Rent Concessions beyond 30 June 2021)

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2022:

Amendments to MFRS 116: Property, Plant and Equipment:
- Property, Plant and Equipment - Proceeds before intended use

Amendments to MFRS 137: Onerous Contracts
- Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 1: First-time Adoption of International Financial Reporting Standards
  - Subsidiary of a First-time Adopter
- Amendments to MFRS 9: Financial Instruments
  - Fees in the '10 Percent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 141: Agriculture
  - Taxation in Fair Value Measurements

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 137: Onerous Contracts
- Costs of Fulfilling a Contract

Amendment to MFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2022 (effective 1 April 2022)

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2023:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)
MFRS 108: Definition of Accounting Estimates (Amendment to MFRS 108)

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

2. Material accounting policy information (cont'd.)

2.2 Standards, amendments to published standards and interpretations that are effective (cont'd.)

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2023: (cont'd.)

MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17)
MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)
MFRS 112: International Tax Reform - Pillar Two Model Rules (Amendment to MFRS 112)

The adoption of these new amendments, standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Economic Entity, except for:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 and MFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on Group's and the Economic Entity's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Economic Entity's financial statements.

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AirAsia Aviation Group Limited
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2. Material accounting policy information (cont'd.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 101: Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2024
MFRS 16: Lease Liability in a Sale and Leaseback (Amendments to MFRS 16)	1 January 2024
MFRS 101: Non-current Liabilities with Covenants (Amendments to MFRS 101)	1 January 2024
MFRS 7 and MFRS 107: Supplier Finance Arrangements (Amendments to MFRS 7 and MFRS 107)	1 January 2024
MFRS 121: Lack of Exchangeability (Amendments to MFRS 121)	1 January 2025
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above amendments, standards and interpretations will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

2.4.1 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee

- The ability to use its power over the investee to affect its returns

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AirAsia Aviation Group Limited
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2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation

2.4.1 Subsidiaries

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Business combination

Business combinations performed by the Group are either accounted using the acquisition method as prescribed under MFRS 3 or via "pooling of interest" for business combination under common control.

2.4.2.1 Pooling of interest

Business combination under common control are accounted by pooling of interest method. Accordingly, the consolidated financial statements of the Group is a continuation of the acquired entities and is accounted for as follows:

(a) The results of entities are presented as if the business combination occurred at the business combination date; and

(b) The Group will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of business combination that would otherwise be done under the acquisition method; and

(c) No new goodwill is recognised as a result of common control business combination. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve or deficit.

The financial information in the consolidated financial statements is not restated for periods prior to the business combination under common control. The Group accounts for the combination prospectively from the date on which it occurred. The effect of the business combination under pooling of interest method is disclosed in Note 13.

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2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Business combination (cont'd.)

2.4.2.2 Internal reorganisation

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Business combination (cont'd.)

2.4.2.2 Acquisition method (cont'd.)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4.3 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.3 Investments in associates (cont'd.)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net asset of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate' in the statement of profit or loss.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. Material accounting policy information (cont'd.)

2.5 Plant and equipment

Plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Where significant parts of an item of plant and equipment are required to be replaced at intervals, the Group recognises such parts in the carrying amount of the plant and equipment as a replacement when it is probable that future economic benefits associated with the parts will flow to the Group and the cost of the parts can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they are incurred.

Freehold land is not depreciated. Significant parts of an item of plant and property are depreciated separately over their estimated useful lives in accordance with the principle in MFRS 116 "Property, Plant and Equipment". Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives.

The useful lives for this purpose are as follows:

Building and building improvements	5 - 75 years
Aircraft and aircraft engines	5 - 25 years
Aircraft spare parts	5 and 10 years
Leasehold improvements	5 and 10 years
Motor vehicles	5 years
Computer hardware	5 years
Furniture and fittings and office equipment	5 years

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use. Useful lives of assets are reviewed and adjusted if appropriate, at the balance sheet date.

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis.

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2. Material accounting policy information (cont'd.)

2.5 Plant and equipment (cont'd.)

At each financial period, the Group assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.8 on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing net proceeds with carrying amounts and are included in the profit or loss.

2.6 Intangible asset

2.6.1 Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Computer software

Computer software costs recognised as intangible assets are carried at cost and are amortised on a straight line basis over their estimated useful lives of 5 years.

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2. Material accounting policy information (cont'd.)

2.6. Other intangible assets (cont'd.)

(ii) Landing rights

Landing rights relate to traffic rights and landing slots for destinations operated by the Group's airline operating centres and are recorded at cost less any accumulated impairment losses. Landing rights are allocated to CGUs and are not amortised as they are considered to have an indefinite useful life and are tested annually for impairment.

2.7 Investment properties

Investment properties is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of buildings classified as investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 to 29 years, and included in determining income. No depreciation is provided on land and buildings under construction.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

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2. Material accounting policy information (cont'd.)

2.9 Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for owned aircraft is described in accounting policy Note 2.5 on property, plant and equipment.

Leased aircraft

Where the Group has a commitment to maintain aircraft held under operating leases, provision is made during the lease term for the rectification obligations contained within the lease agreements. The provisions are based on estimated future costs of major maintenance checks and one-off costs incurred at the end of the lease by making appropriate charges to the income statement calculated by reference to the number of hours or cycles operated during the financial year.

2.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

(i) ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Plant and buildings	3 years
Aircraft and spare engines	2 - 19 years

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2. Material accounting policy information (cont'd.)

2.10 Leases (cont'd.)

Group as a lessee (cont'd.)

(i) ROU assets (cont'd.)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with accounting policy set out in Note 2.8.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease modifications that are not accounted for as separate leases are accounted as adjustments to the carrying value of the lease liability with a corresponding impact to the related right-of-use asset.

2. Material accounting policy information (cont'd.)

2.10 Leases (cont'd.)

Group as a lessee (cont'd.)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to lease Economics of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.11 Inventories

Inventories which comprise consumables used internally for repairs and maintenance are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less all applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

2.12 Financial assets

2.12.1 Classification

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.1 Classification (cont'd.)

Initial recognition and measurement (cont'd.)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.12.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

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2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.2 Subsequent measurement (cont'd.)

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Amortised costs

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.4 Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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2. Material accounting policy information (cont'd.)

2.12 Financial assets (cont'd.)

2.12.4 Impairment (cont'd.)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Financial liabilities

2.13.1 Classification and measurement

The Group classifies its financial liabilities in the following category: other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

The Group does not hold any financial liabilities carried at fair value through profit or loss (except for derivative financial instruments). See accounting policy Note 2.15 on derivative financial instruments and hedging activities.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial liability and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the income statements.

The Group's other financial liabilities comprise payables (including intercompanies and related parties' balances), borrowings and lease liabilities in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

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2. Material accounting policy information (cont'd.)

2.13 Financial liabilities (cont'd.)

2.13.1 Classification and measurement (cont'd.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.15 Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.12. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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2. Material accounting policy information (cont'd.)

2.15 Derivatives and hedge accounting (cont'd.)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

(a) There is 'an economic relationship' between the hedged item and the hedging instrument.

(b) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

(c) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Designation of a risk component of a hedged item is permitted when it is a separable identifiable component of the item, and the changes in the cash flows or the fair value of the item attributable to changes in the risk component is reliably measured.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

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2. Material accounting policy information (cont'd.)

2.15 Derivatives and hedge accounting (cont'd.)

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'net fair value (loss)/gain on derivatives'.

2.16 Cash and cash equivalents

For the purpose of the statements of cash flow, cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short term, highly liquid investments with original maturities of three months or less, less bank overdrafts. Deposits held as pledged securities for banking facilities granted to the Group are not included as cash and cash equivalents.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

2. Material accounting policy information (cont'd.)

2.17 Provisions (cont'd.)

Contingent liabilities are not recognised in the statement of financial position but are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but disclosed in the notes to the financial statements when an inflow of economic benefits is probable. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements.

2.18 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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2. Material accounting policy information (cont'd.)

2.19 Current and deferred income tax (cont'd.)

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits including unused investment tax allowance can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, joint ventures or associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

2.20.1 Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

2.20.2 Defined contribution retirement plan

The Group's contributions to the Employees' Provident Fund are charged to income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.20.3 Defined benefit plan

The Group operates defined benefit pension plans in Indonesia and Philippines, which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

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2. Material accounting policy information (cont'd.)

2.20 Employee benefits (cont'd.)

2.20.3 Defined benefit plan (cont'd.)

Remeasurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'staff costs' in the income statements:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

2.20.4 Share-based payments

Employees of the Group receives remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the share options at the date of grant. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserves over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of share options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for share options that do not ultimately vest because market performance and/or service conditions have not been met. The proceeds received net of any directly attributable transaction costs and the employee share option reserve relating to the vested options are transferred to share capital when the share options are exercised.

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2. Material accounting policy information (cont'd.)

2.21 Revenue and other income

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2.21.1 Schedule flights, charter flights and ancillary services

These revenues relate to scheduled passenger flight and charter flight income and is recorded net of discounts; and includes the related ancillary revenue (including airport and insurance surcharges, administrative fees, baggage fee, assigned seat, cancellation, documentation and other fees, and on-board sale of meals and merchandise). The Group initially recognises ticket sales as 'sales in advance' which is presented as current liabilities in line with MFRS 15. Revenue is recognised when the air transportation service is provided (i.e. recognised at a point in time).

2.21.2 Interest income

Interest income is recognised using the effective interest method.

2.21.3 Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

2. Material accounting policy information (cont'd.)

2.21 Revenue and other income (cont'd.)

2.21.3 Contract balances (cont'd.)

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., upon completion of services rendered to customer).

2.22 Foreign currencies

2.22.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's presentation currency.

2.22.2 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

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2. Material accounting policy information (cont'd.)

2.22 Foreign currencies (cont'd.)

2.22.2 Transactions and balances (cont'd.)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.23 Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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2. Material accounting policy information (cont'd.)

2.23 Contingent assets and liabilities (cont'd.)

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised.

2.24 Maintenance reserve funds

Maintenance reserve funds relate to payments made by the lessee for maintenance activities undertaken during the lease period. The Group will reimburse the lessee for agreed maintenance work done as and when incurred. The Group records the amounts received as maintenance reserve funds. At the expiry of the lease term, excess maintenance reserve is recognised in the profit and loss account.

2.25 Current versus non-current

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

3.1 Impairment assessment of financial assets

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all receivables (including intercompanies and related parties' balances).

The Group assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates specific to the debtors at the end of each reporting period.

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4. Revenue

	Group 2023 RM'000	2022 RM'000
Passenger flights	4,569,550	-
Ancillary services	1,030,847	-
Aviation and commercial services	26,633	22,094
Other revenue	3,939	151
	5,630,969	22,245

Revenue by reportable geographical segment is as follows:

	Group 2023 RM'000	2022 RM'000
Thailand	3,302,025	-
Indonesia	1,238,429	-
Philippines	1,042,781	-
China	27,037	22,094
Malaysia	20,697	151
	5,630,969	22,245

Timing of revenue recognition

	Group 2023 RM'000	2022 RM'000
At a point in time	5,630,969	22,245

Salient terms of the revenue from support services are as follows:

a) Scheduled flights	Normally settled by cash and refunds for airport tax are claimable up to 6 months period of travel date
b) Charter flights	Full upfront payment before the flight.
c) Ancillary services	Normally settled by cash and generally no refunds.
d) Aviation and commercial services:	Credit terms of 14 days from invoice date

There were no material unfulfilled or partially fulfilled performance obligations except for the amount classified as sales in advance as disclosed in Note 19(b).

5. Staff costs

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Salaries, bonus, allowances and other employee benefits	638,020	9,647	20
Defined contribution retirement plan	25,021	1,307	3
Defined benefit plan	11,340	-	-
	674,381	10,954	23

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6. Loss before taxation

The following items have been charged in arriving at loss before taxation:

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Auditors' remuneration	1,677	49	19
Depreciation of:			
- Plant and equipment (Note 10)	31,432	160	-
- Investment property (Note 11)	727	-	-
Amortisation of:			
- Right-of-use assets (Note 21)	512,393	77	-
- Intangible assets (Note 12)	-	1	-
Impairment loss on:			
- Trade receivables (Note 15)	122,042	822	-
- Other receivables (Note 15)	3,870		
- Goodwill (Note 12)	160,893	-	-
Provision of aircraft maintenance during the year (Note 20)	125,725	-	-
Reversal of impairment on:			
- Plant and equipment	(4,300)	-	-
Shared services cost	7,346	92	-
Plant and equipment written off	30,441	1	-

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

(a) Finance income

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

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7. Finance income/(costs) and foreign exchange gains/(losses) (cont'd.)

(b) Finance costs

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Interest expense on:			
- bank borrowing (Note 22)	40,968	10,259	-
- debenture (Note 23)	21,065	-	-
- defined benefits plan (Note 24)	3,795	-	-
- lease liabilities (Note 21)	234,830	-	-
Others	62,132	11	-
	362,790	10,270	-

(c) Foreign exchange gains/(loss)

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

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8. Taxation

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Current income tax			
Current year	8,547	-	-
Deferred taxation			
Relating to origination and reversal of temporary difference	(1,861)	-	-
Taxation	6,686	-	-

The principal activity of the Company is that of a Labuan non-trading activity under the Labuan Business Activity Tax Act 1990 ("LBATA").

As disclosed in Note 9(c), the Company entered into a Master Brand Licensing Agreement ("MBLA") with AirAsia Berhad ("AAB"). The MBLA was subsequently novated to Brand AA Sdn Bhd ("BAA"), a subsidiary of Capital A Berhad ("CAB"). The Company also entered into Sub-Brand Licensing Agreements ("SBLA") with the entities mentioned in Note 9(d) during the financial year. The sub brand licensing income is subjected to tax under the Income Tax Act 1967 ("ITA"), while income from other investment holding activities is subjected to tax under LBATA.

Reconciliations of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate are as follows:

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Profit/(Loss) before taxation	874,985	(302,591)	3,701
Tax calculated at tax rate of 24%* (2022: 3%# ; 2021: 3%#)	209,996	(9,078)	111
Tax effects of:			
- effect of different tax rates in other jurisdictions	30,616	(58)	-
- expenses not deductible for tax purposes	93,182	700	95
- income not subject to tax	(400,207)	(499)	(206)
- associates' results reported net of tax	8,457	8,935	-
- deferred tax assets not recognised	64,642	-	-
	6,686	-	-

* Effective tax rate in Malaysia under ITA

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9. Investment in associates

	Group 2023 RM'000	Group 2022 RM'000	Economic Entity 2021 RM'000
Quoted investments, at cost	-	1,103,269	432,602
Unquoted investments, at cost	-	139,680	161,708
Total share of post-acquisition loss	-	(870,201)	(572,372)
Exchange differences	-	(5,424)	(21,938)
	-	367,324	-
Share of fair value of quoted investment in associates	-	2,039,442	283,906

The fair values of the quoted investment in associates are categorised under Level 1 of the fair value hierarchy.

Unquoted investments include an investment in a convertible bond issued by AirAsia inc ("AA Inc")., an associated company in 2022 and 2021, amounting to RM110.3 million. The convertible bond which was acquired in 2013 is unsecured, convertible at the option of the subscriber to equity shares in AA Inc. or redeemable at par with interest; and bears interest at 6% per annum. Initially, the convertible bond matures in May 2023, however the term of the convertible bond has been renegotiated to 31 October 2024.

(a) Additional investments during the financial year of 2022

(i) In 2020 and 2021, Asia Aviation Public Company Limited ("AAV") holds 55% equity interests in Thai Airasia Company Limited ("TAA") with the Economic Entity holding the balance of the 45% equity interest. As part of AAV Restructuring in 2021, the Economic Entity disposed of its entire shareholdings in TAA to AAV for a cash consideration of RM454,296,000, resulting in TAA becoming a wholly owned subsidiary of AAV. In return, the Economic Entity acquired a 45.12% in AAV for a consideration of RM1,026,619,000. However, the acquisition of shares in AAV was only completed in early 2022. The net cash outflow for the acquisition of AAV shares amounts to approximately RM496,707,275 which was prepaid in 2021.

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9. Investment in associates (cont'd.)

(a) Additional investments during the financial year of 2022

(ii) In 2022, as part of the continuing restructuring plan for AAV and TAA, the Group completed the 45.12% equity interest in AAV. The Group further subscribed to a right issue of 773,473,814 shares of AAV at a price of THB1.75 per share (equivalent to RM174,597,000).

AAV conducted additional rights issue in 2022, which the Group did not participate, leading to a dilution in the Group's equity interest in AAV from 45.12% to 43.00% as at 31 December 2022. As at 31 December 2022, the shares in AAV, which is listed in the Stock Exchange of Thailand with a carrying amount of RM367,324,320 are pledged as securities for borrowings secured (Note 22).

As a result of conversion debentures by the debentures holders, the Group's interest in AAV were further diluted to 40.71% as at 31 December 2023.

(b) Disposal of investments during the financial year of 2022

In 2022, the Economic Entity divested 320,625,000 shares in PT AirAsia Indonesia TBK ("AAID") (representing 3% of AAID's total share capital) to the shareholders of AAID for a total consideration of IDR3,526,875,000 (equivalent to RM998,941) of which IDR455,287,500 (equivalent to RM139,535) was received in cash with the remainder as a receivable.

(c) Liquidation of AirAsia Japan Co. Ltd ("AAJ") in 2023

In 2020, the Economic Entity wrote off its investment in AirAsia Japan Co. Ltd ("AAJ") which was carried at RM403,588,043. AAJ had filed for bankruptcy as a result of unfavourable operating conditions brought about by the COVID-19 pandemic. No further losses were recognised as the share of losses in AAJ has exceeded the Economic Entity's interest in AAJ and the Economic Entity has no further obligation in respect of these losses. The bankruptcy process was subsequently completed in May 2023.

(d) Business combinations during the financial year ended 31 December 2023

On 31 May 2023, AAAGL entered into a Master Brand Licensing Agreement ("MBLA") with AirAsia Berhad ("AAB"). The MBLA subsequently has been novated to Brand AA Sdn Bhd ("Brand AA"), a subsidiary of CAB. On the same date, AAAGL entered into Sub Licensing Agreement ("SBLA") with the airline operators ("AOC") namely Thai AirAsia Company Limited ("TAA") and its parent company, Asia Aviation Public Company Limited ("AAV"). On 15 June 2023, the company entered into SBLA with PT Indonesia AirAsia ("IAA") and Philippines AirAsia Inc ("PAA") as well as their parent companies, PT Indonesia AirAsia TBK ("AAID") and AirAsia Inc. ("AA Inc."), respectively.

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9. Investment in associates (cont'd.)

(d) Business combinations during the financial year ended 31 December 2023 (cont'd.)

Effective from signing date of the SBLAs, these entities must comply with the branding and operation requirements and recommendations set by AAAGL under the SBLA. As a result, AAAGL is able to direct the relevant activities of these entities and is exposed to variable returns from its involvement with these entities.

Pursuant to this and in accordance with MFRS 10 Business Combinations, these entities, are deemed as subsidiaries of the AAAGL for accounting consolidation purposes. AAV and AAID are listed in the stock exchanges of Thailand and Indonesia respectively. These entities were regarded as associated companies and the Company has equity accounted for the results and share of net assets of these entities which forms the financial statements of the Economic Entity. The business combinations of these entities are accounted as follows:

Acquisition of TAA and AAV

Due to the SBLA signed between the Company, TAA and AAV, the business combination of TAA and AAV is accounted for as a step-up from associated company to subsidiary using the acquisition method of accounting. TAA and AAV were recognised as associated companies of AAAGL and CAB prior to the signing of the SBLA.

The gain on remeasurement of the previously held interest in TAA and AAV immediately before obtaining control is disclosed in Note 13(i).

Acquisition of IAA, PAA, AAID and AA Inc.

The business combination of IAA, PAA, AAID and AA Inc. (collectively known as the "Entities") is accounted for under the pooling of interest method. The Entities were recognised as associated companies of AAAGL and subsidiaries of CAB prior to the signing of the SBLA. Because these Entities were already regarded as subsidiaries of CAB, the consolidation of these Entities is based on pooling of interest method which is scoped out from the business combination criteria in MFRS 103 as these Entities are under common control.

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9. Investment in associates (cont'd.)

Details of the investment in associates are as follows:

Name of entity	Country of incorporation	Company's effective equity interest 2023 %	2022 %	2021 %	Principal activities
AAID+ ^	Indonesia	-	46.25	49.25	Investment holding
IAA+	Indonesia	-	47.43	49.15	Commercial air transport services
TAA*	Thailand	-	-	45.00	Commercial air transport services
AAV+*	Thailand	-	43.00	-	Commercial air transport services
PAA*f*	Philippines	-	40.00	40.00	Commercial air transport services
AAJ*+	Japan	-	66.90#	66.90#	Under bankruptcy

\+ Audited by a member of Ernst & Young Global.
f Audited by a firm other than Ernst & Young.
^ Listed on the Indonesia Stock Exchange.
* Listed on the Thailand Stock Exchange.
\# Equity interest of 66.9% comprise both voting and non-voting share in AAJ. AirAsia Aviation held 33% of the voting shares and 67% of the non-voting shares.

There are no contingent liabilities relating to the Group's interest in the associates

All of investment in associates are accounted for using equity method

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9. Investment in associates (cont'd.)

All associates have the same reporting period as the Group and the Economic Entity. For the purpose of applying the equity method of accounting for associates, the last audited financial statements available and the management financial statements as at end of the accounting period of the associate were used.

Set out below is the summarised financial information for the associate which is accounted for using the equity method:

Summarised financial information for associates

Summarised statements of financial position

	AAID Consolidated	
	2022	**2021**
	RM'000	**RM'000**
Non-current assets	1,435,865	1,459,630
Current assets	81,426	48,607
Non-current liabilities	(1,336,243)	(1,094,811)
Current liabilities	(2,111,393)	(1,938,304)

Summarised statements of comprehensive income

	AAID Consolidated	
	2022	**2021**
	RM'000	**RM'000**
Revenue	1,118,899	176,823
Net loss for the financial year	(487,435)	(662,487)
Other comprehensive income/(loss)	7,481	13,248
Total comprehensive loss	(479,953)	(649,239)

Reconciliations of summarised financial information:

	AAID Consolidated	
	2022	**2021**
	RM'000	**RM'000**
Net assets	-	-
Interest in associate	46%	49%
Group's share of net assets, representing carrying value of interest in associate	-	-

The carrying amount of the above interest in investment is nil as the Economic Entity has fully shared the losses of this associate, and has no obligations to share further losses from this investment.

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9. Investment in associates (cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method: (cont'd.)

Summarised financial information for associates (cont'd.)

Summarised statements of financial position

	AirAsia Inc.	
	2022	**2021**
	RM'000	**RM'000**
Non-current assets	662,541	731,526
Current assets	1,157,890	1,148,336
Non-current liabilities	(873,947)	(706,529)
Current liabilities	(4,717,249)	(4,291,972)

Summarised statements of comprehensive income

	AirAsia Inc.	
	2022	**2021**
	RM'000	**RM'000**
Revenue	787,772	174,529
Net loss for the financial year	(768,968)	(627,783)
Other comprehensive income/(loss)	3,256	17,127
Total comprehensive loss	(765,712)	(610,656)

Reconciliations of summarised financial information:

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

The carrying amount of the above interest in investment is nil as the Economic Entity has fully shared the losses of this associate, and has no obligations to share further losses from this investment.

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9. Investment in associates (cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method: (cont'd.)

Summarised financial information for associates (cont'd.)

Summarised statements of financial position

	AAV Consolidated 2022 RM'000	AAV Consolidated 2021 RM'000
Non-current assets	7,585,963	-
Current assets	668,177	-
Non-current liabilities	(4,445,470)	-
Current liabilities	(2,793,656)	-

Summarised statements of comprehensive income

	AAV Consolidated 2022 RM'000	AAV Consolidated 2021 RM'000
Revenue	2,207,657	-
Net loss for the financial year	(1,033,111)	-
Other comprehensive income	29,696	-
Total comprehensive loss	(1,003,415)	-

Reconciliations of summarised financial information:

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

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9. Investment in associates (cont'd.)

Set out below is the summarised financial information for the associate which is accounted for using the equity method: (cont'd.)

Summarised financial information for associates (cont'd.)

Summarised statements of financial position

	TAA	
	2022 RM'000	**2021 RM'000**
Non-current assets	-	5,311,826
Current assets	-	377,449
Non-current liabilities	-	(4,561,557)
Current liabilities	-	(2,497,262)

Summarised statements of comprehensive income

	TAA	
	2022 RM'000	**2021 RM'000**
Revenue	-	508,067
Net loss for the financial year	-	(1,564,048)
Other comprehensive income/(loss)	-	56,590
Total comprehensive loss	-	(1,507,458)

Reconciliations of summarised financial information:

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

The carrying amount of the above interest in investment for 2021 is nil as the Economic Entity has fully shared the losses of this associate.

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10. Property, plant and equipment

	At 1 January 2023 RM'000	Acquisition of subsidiaries RM'000	Internal reorganisation RM'000	Addition RM'000	Write-off RM'000	Depreciation charge RM'000	Reversal of impairment RM'000	Exchange differences RM'000	At 31 December 2023 RM'000
Group									
Carrying amount									
Aircraft engines, airframes and service potential	-	331,870	12,713	3,366	(12,462)	(11,543)	-	8,661	332,605
Aircraft spares	-	50,511	54,018	24,259	(2,172)	(3,151)	1,736	(21,187)	104,014
Aircraft fixtures and fittings	-	8,990	53,758	59,567	(15,801)	(6,173)	-	(35,774)	64,567
Freehold land	-	86,362	54,304	-	-	-	-	(841)	139,825
Buildings	-	43,036	101,898	156	-	(3,371)	2,533	(6,064)	138,188
Motor vehicles	-	2,309	24	769	-	(1,302)	-	244	2,044
Office equipment, furniture and fittings	251	5,755	4,997	5,949	(6)	(2,046)	-	(2,592)	12,308
Office renovation	-	13,375	1,206	2,549	-	(2,960)	58	1,170	15,398
Operating plant and ground equipment	-	2,170	1,697	2,338	-	(886)	(36) -	494	4,789
In-flight equipment	-	33	42	-	-	-	9 -	33	51
Training equipment	-	4,524	-	-	-	-	- -	763	3,761
Work in progress[1]	-	970	342	4,899	-	-	- -	4,916	1,295
	251	549,905	284,999	103,852	(30,441)	(31,432)	4,300	(62,589)	818,845

[1] Work in progress completed during the financial year were reclassified to respective asset classes.

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AirAsia Aviation Group Limited
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10. Property, plant and equipment (cont'd.)

Group (cont'd.)

At 31 December 2023

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Aircraft engines, airframes and service potential	657,605	(325,000)	-	332,605
Aircraft spares	361,874	(254,121)	(3,739)	104,014
Aircraft fixtures and fittings	157,428	(92,861)	-	64,567
Freehold land	139,825	-	-	139,825
Buildings	169,612	(31,424)	-	138,188
Motor vehicles	35,660	(33,616)	-	2,044
Office equipment, furniture and fittings	86,377	(74,069)	-	12,308
Office renovation	72,591	(57,193)	-	15,398
Operating plant and ground equipment	59,833	(55,044)	-	4,789
In-flight equipment	1,842	(1,791)	-	51
Training equipment	6,941	(3,180)	-	3,761
Work in progress	1,295	-	-	1,295
	1,750,883	(928,299)	(3,739)	818,845

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AirAsia Aviation Group Limited
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10. Property, plant and equipment (cont'd.)

	1 January 2022 RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Disposals RM'000	Depreciation charge RM'000	Exchange differences RM'000	31 December 2022 RM'000
Group							
Carrying amount							
Office equipment, furniture and fittings	-	98	323	(4)	(160)	(6)	251

	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31 December 2022			
Office equipment, furniture and fittings	839	(588)	251

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AirAsia Aviation Group Limited
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10. Property, plant and equipment (cont'd.)

Included in property, plant and equipment of the Group are:

	Group RM'000
Aircraft and engines pledged as security for borrowings	324,651
Freehold land and building pledged as security for borrowings	276,166
Total property, plant and equipment pledged as security for borrowings	600,817

The beneficial ownership and operational control of aircraft pledged as security for borrowings rest with the Group when the aircraft is delivered to the Group.

Where the legal title to the aircraft is held by financiers during delivery, the legal title will be transferred to the Group only upon settlement of the respective facilities.

11. Investment property

	Group 2023 RM'000
At cost	
At 1 January	-
Acquisition of subsidiaries	67,700
Depreciation (Note 6)	(727)
Exchange differences	338
At 31 December	67,311

12. Intangible assets

Group	Landing Right RM'000	Goodwill RM'000	Total RM'000
Cost			
At 1 January 2023	-	-	-
Acquisition of subsidiaries	1,971,900	2,047,200	4,019,100
Internal reorganisation	443,900	38,395	482,295
Exchange difference	15,040	8,986	24,026
At 31 December 2023	2,430,840	2,094,581	4,525,421
Accumulated impairment			
At 1 January 2023	-	-	-
Impairment loss (Note 6)	-	(160,893)	(160,893)
	-	(160,893)	(160,893)
Net carrying amount			
At 31 December 2023	2,430,840	1,933,688	4,364,528

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AirAsia Aviation Group Limited
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12. Intangible assets (cont'd.)

Group (cont'd.)	Computer Software RM'000	Total RM'000
Cost		
At 1 January 2022	-	-
Acquisition of subsidiaries	1	1
At 31 December 2022	1	1
Accumulated depreciation		
At 1 January 2022	-	-
Charge for the year	1	1
At 31 December 2022	1	1
Net carrying amount		
At 31 December 2022	-	-

The goodwill is subject to finalisation of the purchase price allocation ("PPA") exercise.

Landing rights

Landing rights relate to traffic rights and landing slots for destinations operated by IAA, TAA and PAA. As explained in Note 2.6, the useful life of these landing rights is estimated to be indefinite.

Impairment testing for goodwill and landing rights

The carrying amounts of goodwill and landing rights allocated to the Group's cash generating units ("CGUs") are as follows:

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

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12. Intangible assets (cont'd.)

Impairment testing for goodwill and landing rights (cont'd.)

The recoverable amounts of the CGUs have been measured based on their value in use which is based on calculations using cash flow projections from financial budgets approved by the management covering a five-year period. The discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate the cash flows beyond the five-year period are as follows:

	Growth rate 2023	Discount rates 2023
CGU		
IAA/AAID	3%	18%
PAA/AA Inc.	3%	18%
TAA/AAV	1%	13%

The calculation of value in use for the CGUs are most sensitive to the following assumptions

Growth rates: The forecasted growth rate is based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGU

Discount rates: Discount rate reflects management's estimate of the risks specific to this entity. In determining appropriate discount rate, consideration has been given to the applicable weighted average cost of capital.

The recoverable amount of the AOCs is within level 3 of the fair value hierarchy. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement:

Description	Unobservable inputs*	Inputs	Relationship of unobservable inputs to fair value
IAA/AAID	Discount rate	18%	Increased discount rate of 1% would decrease the fair value by RM54,000,000
	Long term-growth rate per annum	3%	Decreased long-term growth rate by 1% would decrease the fair value by RM24,000,000
TAA/AAV	Discount rate	13%	Increased discount rate of 1% would decrease the fair value by RM164,000,000
	Long term-growth rate per annum	3%	Decreased long-term growth rate by 1% would decrease the fair value by RM24,000,000

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12. Intangible assets (cont'd.)

Impairment testing for goodwill and landing rights (cont'd.)

Description	**Unobservable inputs***	**Inputs**	**Relationship of unobservable inputs to fair value**
PAA/AA Inc.	Discount rate	18%	Increased discount rate of 1% would decrease the fair value by RM290,000,000
	Long term-growth rate per annum	3%	Decreased long-term growth rate by 1% would decrease the fair value by RM164,000,000

* There were no significant inter-relationship between unobservable inputs that materially affect the fair value.

Based on the assessments performed, there is no impairment of goodwill landing rights attributable to the CGUs. The management believes that no reasonably possible change in the key assumptions disclosed above used to determine the CGUs' recoverable amounts, including goodwill, would cause its carrying amounts to materially exceed its recoverable amounts.

The calculation of recoverable amounts of the CGUs which have been measured based on their value in use as described above has been made based on conditions existing at 31 December 2023. There is a significant risk that the assumptions on revenue per passenger, load factor, discount rates and growth rate applied in the goodwill impairment assessment would need to be revised, depending on industry developments which may result in a material adjustment to the carrying amounts of the goodwill.

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AirAsia Aviation Group Limited
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13. Subsidiaries

(i) Business combinations in 2023

As detailed in Note 9, TAA and AAV became subsidiaries of the Group in 2023. The business combination of TAA and AAV is accounted for as a step-up from associated company to subsidiary using acquisition method.

The net assets recognised in the financial statements for the step-up acquisition of TAA/AAV in 2023 were based on provisional assessment of the fair values while the Group is finalising the purchase price allocation exercise.

The gain on remeasurement of previously held interest in TAA/AAV, are as follows:

	AAV RM'000
Fair value of previously held interest	1,950,433
Less: Carrying amount of previously held interest	(402,561)
Gain on remeasurement of previously held interest	1,547,872

Details of the business combination for TAA/AAV in 2023 are as follows:

	Fair value recognised on step-up acquisition RM'000	**Carrying amount RM'000**
Non-current assets		
Property, plant and equipment	549,905	549,905
Investment property	67,700	67,700
Right of use assets	3,255,200	3,255,200
Intangible assets	1,971,900	3,143,000
Investment securities	2,300	2,300
Derivative assets	95	95
Deferred tax assets	652,400	652,400
Total non-current assets	6,499,500	7,670,600

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AirAsia Aviation Group Limited
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13. Subsidiaries

(i) Business combinations in 2023 (cont'd.)

Details of the business combination for TAA/AAV in 2023 are as follows: (cont'd.)

	Fair value recognised on step-up acquisition RM'000	Carrying amount RM'000
Current assets		
Inventories	36,100	36,100
Receivables and prepayments	630,700	630,700
Amounts due from related parties	378,000	378,000
Tax recoverable	32,100	32,100
Derivative assets	100	100
Deposits, bank and cash balances	228,400	228,400
Total current assets	1,305,400	1,305,400
Total assets	7,804,900	8,976,000
Non-current liabilities		
Borrowings	435,400	435,400
Long-term debentures	333,300	333,300
Lease liabilities	3,521,700	3,521,700
Derivative liabilities	11,100	11,100
Provision for retirement benefits	103,300	103,300
Deferred tax liabilities	394,300	394,300
Total non-current liabilities	4,799,100	4,799,100
Current liabilities		
Trade and other payables	1,121,100	1,121,100
Aircraft maintenance provisions	340,400	340,400
Sales in advance	502,600	502,600
Borrowings	198,700	198,700
Current portion of long-term debentures	288,000	288,000
Derivative liabilities	200	200
Lease liabilities	779,900	779,900
Total current liabilities	3,230,900	3,230,900
Total liabilities	8,030,000	8,030,000

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13. Subsidiaries (cont'd.)

(i) Business combinations in 2023 (cont'd.)

Details of the business combination for TAA/AAV in 2023 are as follows: (cont'd.)

	AAV
	RM'000
Fair value of net identifiable liabilities	(225,100)
Less: Non-controlling interests' share of profit at 57%	128,333
Group's interest in fair value of net identifiable assets	(96,767)
Goodwill on acquisition	2,047,200
Deemed consideration paid by the Group	1,950,433

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

From the acquisition date, AAV has contributed RM3,302 million of revenue and RM27 million to the Group's profit net of tax. If the business combination had taken place at the beginning of the year, AAV would have contributed RM5,635 million of revenue and RM61.1 million to the Group's profit net of tax.

(ii) Internal reorganisation in 2023

As detailed in Note 9, IAA, AAID, PAA and AA Inc. became subsidiaries of the Group in 2023 with the signing of the SBLA. The business combination of these Entities are accounted for under the pooling of interest method due to common control, as these Entities were subsidiaries of CAB prior to the signing of the SBLA.

The difference, if any, between the amount recorded as share capital issued and the amount of share capital of the amalgamating company has been transferred to merger reserve and presented separately from other capital reserves.

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13. Subsidiaries (cont'd.)

(ii) Internal reorganisation in 2023 (cont'd.)

Details of the assets and liabilities of the Entities as at 31 May 2023 are as follows:

	Internal reorganisation RM'000
Non-current assets	
Property, plant and equipment	284,999
Right of use assets	1,881,032
Intangible assets	482,294
Receivables and prepayments	170,623
Deferred tax assets	2,913
	2,821,861
Current assets	
Inventories	75,208
Receivables and prepayments	348,739
Amount due from related parties	89,881
Deposits, bank and cash balances	25,445
Tax recoverable	2,749
	542,022
Total assets (A)	3,363,883
Non-current liabilities	
Borrowings	151,410
Aircraft maintenance provision	68,490
Deferred tax liabilities	114,440
Lease liabilities	2,377,708
Provision for retirement benefits	75,551
	2,787,599

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13. Subsidiaries (cont'd.)

(ii) Internal reorganisation in 2023 (cont'd.)

Details of the assets and liabilities of the Entities as at 31 May 2023 are as follows: (cont'd.)

	Internal reorganisation RM'000
Current liabilities	
Trade and other payables	1,504,991
Aircraft maintenance provision	97,975
Sales in advance	645,541
Amounts due to related companies	2,809,398
Borrowings	8,835
Lease liabilities	1,237,504
Provision of taxation	48,237
	6,352,481
Total liabilities (B)	9,140,080
Net liabilities (C) = (A) - (B)	(5,776,197)

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

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13. Subsidiaries (cont'd.)

(iii) Additional investment during the financial year ended 31 December 2023

In 2023, AAAGL acquired 100% equity interest in AirAsia Aviation Management Services Sdn Bhd ("AMS") from AAB for a consideration amounting to RM300,000 satisfied via the capitalisation of RM300,000 due from AAB, in return for the 300,000 ordinary shares in AMS.

Additionally, AAAGL entered into a joint venture agreement with Sivilia Asia Co. Ltd. ("Sivilia") to form AirAsia Cambodia Co. Ltd. ("CAA"). The Company subscribed for a shareholding of 51%. CAA is set up for the purpose of providing low cost and short haul passenger air transportation and ancillary services on domestic routes in Cambodia and international routes. AAAGL invested USD1,020,000 (equivalent to RM4,651,200) for 1,020,000 ordinary shares of USD 1 per share in CAA.

(iv) Disposal of investment during the financial year ended 31 December 2023

During the financial year ended 31 December 2023, AAAGL disposed of its 100% equity stake in AirAsia Consulting Sdn Bhd ("ACS") to BigPay Holdings Sdn. Bhd., another subsidiary of CAB, for a total consideration amounting to USD0.50 (equivalent to RM2.28).

(v) Business combination in 2022

(a) The Company acquired 1,00,000 ordinary shares, representing 100% equity stake in AirAsia (Guangzhou) Aviation Services Limited Company ("AGZ") from CAB with a total consideration of RM4,405,911.

(b) The Company acquired 1 ordinary share, representing 100% equity stake in AirAsia Consulting Sdn Bhd ("ACS") from CAB with a total consideration of RM2.

(c) The Company acquired 100 ordinary shares, representing 100% equity stake in AirAsia Europe Limited (formerly known as Santan Restaurant Limited) from CAB with a total consideration of RM531.

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13. Subsidiaries (cont'd.)

Details of the investment in subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2023 %	2022 %	Principal activities
Directly held by the Company				
AirAsia Consulting Sdn. Bhd. ("ACS")	Malaysia	-	100	Providing consulting services
AirAsia Europe Ltd (formerly known as Santan Restaurant Ltd)	United Kingdom	100	100	Food and beverages
AirAsia (Guangzhou) Aviation Service Limited ("AGZ")	China	100	100	Aviation and commercial services
PT AirAsia Indonesia TBK ("AAID")+ ^	Indonesia	46.25	-	Investment holding
Asia Aviation Public Company Limited ("AAV")+*	Thailand	40.71	-	Investment holding
AirAsia Inc ("PAA")f	Philippines	40.0	-	Investment holding
AirAsia Cambodia ("CAA")	Cambodia	51.0	-	Commercial air transport services

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13. Subsidiaries (cont'd.)

Details of the investment in subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2023 %	2022 %	Principal activities
Held by AAID				
PT Indonesia AirAsia ("IAA")[+]	Indonesia	47.43	-	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia ("GTRI")[f]	Indonesia	31.8	-	Provision of airport related services
Held by AAV				
Thai AirAsia Co. Ltd ("TAA")[f]	Thailand	40.71	-	Commercial air transport services
Held by PAA				
Philippines AirAsia Inc ("PAAI")[f]	Philippines	39.86	-	Commercial air transport services
Asiawide Airways Inc[f]	Philippines	40.0	-	Dormant

\+ Audited by a member of Ernst & Young Global.
f Audited by a firm other than Ernst & Young.
^ Listed on the Indonesia Stock Exchange.
* Listed on the Thailand Stock Exchange.

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13. Subsidiaries (cont'd.)

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name of entity	Country of incorporation	Effective non-controlling interests 2023 %
AAID	Indonesia	53.75%
PAA	Philippines	60.00%
AAV	Thailand	59.29%

	Group 2023 RM'000
Accumulated balances of material non-controlling interests:	
AAID	(1,567,497)
PAA	(2,528,341)
AAV	47,065
Other individually immaterial subsidiaries	(1,769)
	(4,050,542)
Loss allocated to material non-controlling interests:	
AAID	(163,039)
PAA	(120,224)
AAV	16,147
Other individually immaterial subsidiaries	(1,769)
	(268,885)
Total comprehensive loss allocated to material non-controlling interests:	
AAID	(163,039)
PAA	(120,224)
AAV	16,147
Other individually immaterial subsidiaries	(1,769)
	(268,885)

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AirAsia Aviation Group Limited
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13. Subsidiaries (cont'd.)

Material partly-owned subsidiaries (cont'd.)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.

There were no subsidiaries for the financial year 31 December 2022 and 2021, hence only information pertaining to material partly-owned subsidiaries for the financial year 31 December 2023 is presented below:

Summarised income statements as at 31 December 2023 are as follows:

	AAID RM'000	PAA RM'000	AAV RM'000	Total RM'000
Revenue	1,276,926	1,767,199	5,427,625	8,471,751
Depreciation and amortisation	(146,661)	(184,015)	(492,350)	(823,026)
Interest income	114	15	4,325	4,455
Interest expense	(66,999)	(101,539)	(76,328)	(244,866)
(Loss)/profit before taxation	(303,592)	(200,373)	46,284	(457,681)
Tax credit/(expense)	263	-	(19,050)	(18,787)
Net (loss)/profit for the financial year	(303,329)	(200,373)	27,234	(476,468)
Attributable to non-controlling interests	(163,039)	(120,224)	16,147	(267,116)

Summarised statements of financial position as at 31 December 2023 are as follows:

	AAID RM'000	PAA RM'000	AAV RM'000	Total RM'000
Non-current assets	1,649,556	908,863	8,094,574	10,652,993
Current assets	(107,746)	173,966	1,831,039	1,897,259
Non-current liabilities	(2,247,200)	(3,799,229)	(6,223,938)	(12,270,367)
Current liabilities	(1,689,273)	(1,679,148)	(2,573,670)	(5,942,091)
Net (liabilities)/assets	(2,394,663)	(4,395,548)	1,128,005	(5,662,206)

Summarised cash flow information for the year ended 31 December 2023 are as follows:

	AAID RM'000	PAA RM'000	AAV RM'000	Total RM'000
Operating	118,735	304,225	818,630	332,381
Investing	(6,064)	(12,807)	(121,543)	192,398
Financing	(104,643)	(292,846)	(632,539)	(296,117)
Net increase/(decrease) in cash and cash equivalents	8,028	(1,428)	64,548	228,662

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14. Investment securities

	Group		Economic Entity
	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Unlisted equity securities			
At 31 December	5,770	-	78,672

In 2020, the Economic Entity executed a Share Purchase Agreement ("SPA") with Tata Sons Private Limited to sell a 32.7% equity interest in AirAsia (India) Limited ("AA India"), for a consideration of RM158,257,515 (equivalent to USD37.6 million). The Economic Entity continues to hold the remaining 16.33% in AA India, but no longer exerted significant influence in AA India. Therefore, the remaining equity stake of 16.33% was remeasured to its fair value of RM81,904,575 (equivalent to USD18.83 million) in accordance with MFRS 9 Financial Instruments as an investment securities at fair value through other comprehensive income.

In 2022, the Group sold the remaining 16.33% equity interest in AA India to Air India Limited, an affiliate of Tata Sons Private Limited for a consideration of RM81,904,575 (equivalent to USD18.83 million). No gain or loss arose on the disposal as the Group has already marked the remaining 16.33% in AA India to its fair value.

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15. Receivables and prepayments

	Notes	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Non-current				
Other receivables	(a)	611,065	-	-
Current				
Trade receivables		222,021	-	-
Less: Allowance for impairment	(b)	(122,042)	-	-
		99,979	-	-
Other receivables		142,284	2,176	-
Less: Allowance for impairment	(c)	(3,870)	(822)	-
		138,414	1,354	-
Amount due from holding company		29,194	8,337	14
Amount due from associates		-	65,264	37,062
Amount due from related companies		94,387	25,128	3,121
Deposit	(d)	124,750	-	-
Prepayments	(e)	28,726	4	496,707
		277,057	98,733	536,904
Total current receivables and prepayments		515,450	100,087	536,904

(a) Other receivables of the Group at the reporting date are with a number of external parties for which there is no expectation of default. The other receivables include amount set aside for leased rental security amounting to RM251 million and maintenance reserve fund amounting to RM347 million.

(b) Ageing analysis of trade receivables

The ageing analysis of the Company's trade receivables is as follows:

	Group 2023 RM'000
Current	70,090
1 to 60 days	13,868
61 to 90 days	4,392
91 to 120 days	4,692
Over 120 days	128,979
	151,931
Impaired	(122,042)
	99,979

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15. Receivables and prepayments (cont'd.)

(b) Ageing analysis of trade receivables (cont'd.)

Impairment for trade receivables are recognised based on the simplified approach. Impairment is recognised against trade receivables over their credit period based on estimated amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The individually impaired trade receivables are mainly related to disputed balances with customers or balances for which management is of the view that the amounts may not be recoverable.

(c) Movements on the allowance for impairment of trade receivables are as follows:

	Group 2023 RM'000
At 1 January	-
Internal reorganisation	115,608
Impairment loss (Note 6)	6,434
At 31 December	122,042

Movements on the allowance for impairment of other receivables are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
At 1 January	3,669	-
Impairment loss (Note 6)	201	822
At 31 December	3,870	822

(d) Deposits of the Group at the reporting date are with a number of external parties for which there is no expectation of default. The deposits are mainly relate to operational security deposits which are short term in nature.

(e) Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider.

In 2021, prepayments of RM496,707,275 were made towards the acquisition of shares in an associate, as detailed in Note 9(a)(i).

The increase in the other receivables and amounts due from related companies in 2023 is due to the business combinations of the entities mentioned in Note 13.

The amounts due from holding, related, associated companies and related parties are unsecured, interest free and receivable on demand.

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16. Inventories

	Group 2023 RM'000
At cost	
Consumables, in-flight merchandise and others	137,473

During the financial year 2023, the amount of the inventories recognised in operating expenses of the Group was RM144 million.

17. Cash and bank balances

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

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AirAsia Aviation Group Limited
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18. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority.

	Group 2023 RM'000
As at 1 January	-
Acquisition of subsidiaries (Note 13(i))	258,100
Internal reorganisation (Note 13(ii))	(111,527)
Recognised in profit or loss	1,861
Exchange differences	9,445
As at 31 December	157,879

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

Presented after appropriate offsetting as follows:

	Group 2023 RM'000
Deferred tax assets	268,225
Deferred tax liabilities	(110,346)
	157,879

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18. Deferred tax assets/(liabilities) (cont'd.)

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

Deferred tax assets of the Group:

	Unutilised tax losses RM'000	Provision for retirement benefits RM'000	Others RM'000	Total RM'000
At 1 January 2023	-	-	-	-
Acquisition of subsidiaries	467,873	24,426	160,101	652,400
Internal reorganisation	-	-	2,913	2,913
Recognised in profit or loss	1,434	(10,791)	9,595	238
Exchange difference	19,117	474	(100,197)	(80,606)
At 31 December 2023	488,424	14,109	72,412	574,945

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Fair value on intangible assets RM'000	Total RM'000
At 1 January 2023	-	-	-
Acquisition of subsidiaries	(8,559)	(385,741)	(394,300)
Internal reorganisation	-	(114,440)	(114,440)
Recognised in profit or loss	2,318	(695)	1,623
Exchange difference	(323)	90,374	90,051
At 31 December 2023	(6,564)	(410,502)	(417,066)

Deferred tax has not been recognised for the following items:

	Group 2023 RM'000
Unused tax losses	2,840,344
Other temporary differences	945,060
	3,785,404

The recognised deferred tax assets are able to be utilised against future taxable profits of the subsidiaries. The deferred tax assets in respect of the above items, which have not been recognised, arose from subsidiaries, as it is expected that it will not be utilised against future taxable profits.

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18. Deferred tax assets/(liabilities) (cont'd.)

Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

Pursuant to the relevant tax regulations, the unused tax losses and other temporary differences at the end of the reporting period will expire as follows:

	Group 2023 RM'000
Unutilised business losses can be carried forward until:	
Year of assessment 2026	1,448,253
Year of assessment 2028	1,388,660
Year of assessment 2033	3,431
	2,840,344

19. Trade and other payables and sales in advance

(a) Trade and other payables

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Non-current:			
Other payables	21,372	-	-
Current:			
Trade payables	1,129,656	299	-
Other payables	699,410	9,032	19
Amounts due to holding company	385,852	648,186	618,013
Amounts due to associates	-	160	-
Amount due to related companies	3,046,036	779	7,920
Amounts due to related parties	220,602	-	-
Deposit	19,334	-	-
	5,500,890	658,456	625,952

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19. Trade and other payables and sales in advance (cont'd.)

(a) Trade and other payables (cont'd.)

Trade payables are unsecured, non-interest bearing and are generally on 30 to 60 days term.

The amounts due to holding and related companies, associates and related parties are unsecured, interest free and payable on demand.

(b) Sales in advance

	Group 2023 RM'000
Current	1,205,688

Sales in advance represents the deferred revenue account triggered upon booking by customers. Amount includes ticket fare, seat fees, baggage fees, inflight meals, merchandise, admin fees, service fees and airport fees. Revenue will only be recognised upon flown, specifically upon closing flight status.

20. Aircraft maintenance provisions and liabilities

	Group 2023 RM'000
Aircraft maintenance provisions (i)	367,253
Aircraft maintenance reserve fund (ii)	265,337
	632,590
Disclosed as	
Non-current	230,154
Current	402,436
	632,590

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20. Aircraft maintenance provisions and liabilities (cont'd.)

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

The movements in the aircraft maintenance provisions of the Group during the financial year are as follows:

	Group 2023 RM'000
At 1 January	-
Acquisition of subsidiaries (Note 13(i))	340,400
Internal reorganisation (Note 13(ii))	166,465
Charge for the year (Note 6)	125,725
At 31 December	632,590

(ii) Aircraft maintenance reserve funds relate to the maintenance activities to be undertaken by the Group during the lease period. The Group will accrue the maintenance expenses until the actual expenses incurred.

21. Leases

Group as a lessee

The Group leases various aircraft, spare engines and land and building. Leases of aircraft and spare engines have a lease term of 2 to 19 years whilst land and building generally have a lease term of 2 to 20 years (2022: 2 to 20 years).

The Group also has certain leases of property, plant and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

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21. Leases (cont'd.)

Group as a lessee (cont'd.)

Set out below are the carrying amounts of ROU recognised and the movements during the year:

Group	Aircraft 2023 RM'000	Plant and buildings 2023 RM'000	Total 2023 RM'000
As at 1 January 2023	-	824	824
Acquisition of subsidiaries (Note 13(i))	3,236,035	19,165	3,255,200
Internal reorganisation (Note 13(ii))	1,881,032	-	1,881,032
Additions	798,664	-	798,664
Modifications	39,995	-	39,995
Depreciation expense (Note 6)	(506,281)	(6,112)	(512,393)
Exchange movements	(67,181)	1,864	(65,317)
As at 31 December 2023	5,382,264	15,741	5,398,005
As at 1 January 2022	-	-	-
Acquisition of subsidiaries	-	919	919
Depreciation expense (Note 6)	-	(77)	(77)
Exchange differences	-	(18)	(18)
As at 31 December 2022	-	824	824

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21. Leases (cont'd.)

Group as a lessee (cont'd.)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	Group	
	2023 RM'000	**2022 RM'000**
At 1 January	828	-
Acquisition of subsidiaries	4,301,600	-
Internal reorganisation (Note 13(ii))	3,615,212	-
Additions	705,487	911
Accretion of interest (Note 7(b))	234,830	-
Payments	(957,182)	(83)
Modifications	243,116	-
Exchange movements	175,296	-
At 31 December	8,319,187	828
Current	2,135,895	264
Non-current	6,183,292	564
	8,319,187	828

The maturity analysis of lease liabilities are disclosed in Note 34(c) .

The following are the amounts recognised in profit or loss:

	Group	
	2023 RM'000	**2022 RM'000**
Depreciation of right-of-use assets	512,393	77
Interest expense on lease liabilities	234,830	-
Total amount recognised in profit or loss	747,223	77

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

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22. Borrowings

	Group 2023 RM'000	Group 2022 RM'000
Current		
Term loans	430,101	18,695
Non-current		
Term loans	490,007	151,853
Total borrowings	920,108	170,548

In 2022, the Group obtained a term loan facility amounting to THB1,354,000,000 (equivalent to RM172,615,836). The term loan is secured by shares in AAV as disclosed in Note 9. The Group's borrowings increased in 2023 mainly due to the consolidation of the entities mentioned in Note 13.

As at 31 December 2023, the long-term borrowings are secured by the mortgages of the Group's land and buildings construed thereon, equipment, vehicle and pledges of the Group's aircraft and engines.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Group 2023 RM'000	Group 2022 RM'000
Balance at 1 January	170,548	-
Internal reorganisation (Note 13(ii))	160,245	-
Drawdown during the year	100,291	162,357
Acquisition of subsidiaries (Note 13(i))	634,100	-
Interest expense (Note 7(b))	40,968	10,259
Repayment of loan	(183,499)	-
Transaction cost	(744)	(2,328)
Exchange differences	(1,801)	260
Balance at 31 December	920,108	170,548

	Group 2023 %	Group 2022 %
Weighted average interest rate		
Term loans	5.36	9.16

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22. Borrowings (cont'd.)

The borrowings are repayable as follows:

	Group	
	2023	**2022**
	RM'000	**RM'000**
Not later than 1 year	430,101	18,695
Later than 1 year and not later than 2 years	490,007	25,174
Later than 2 year and not later than 3 years	-	126,679
	920,108	170,548

Total borrowings as at reporting date consist of the following:

	Group	
	2023	**2022**
	RM'000	**RM'000**
Fixed rate borrowings	302,287	-
Floating rate borrowings	617,821	170,548

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23. Long term debentures

As at 31 December 2023, the outstanding balance of long-term debentures are summarised below.

No	Series	Maturity date	No of units (million units)	Par value Baht	Par value MYR	Interest rate %	Term of interest payment	Book value Baht	Book value MYR
1/2022	1	Entirely redeemed on 30 June 2024 (2 years)	1.4	1,000	134	6.80	Quarter	1,431,500	191,955
1/2023	1	Entirely redeemed on 27 April 2025 (2 years)	1.5	1,000	134	7.00	Quarter	1,500,000	201,140
2/2023	1	Entirely redeemed on 28 March 2026 (2.5 years)	1.2	1,000	134	6.90	Quarter	1,200,000	160,912
		Total						4,131,500	554,007
		Less: Deferred debenture issuing costs						(31,098)	(4,170)
		Debenture - net						4,100,402	549,837

23. Debentures (cont'd.)

As at 31 December 2023, the outstanding balance of long-term debentures are summarised below. (cont'd.)

	2023
	RM'000
Current portion of long-term debentures	191,411
Less: deferred front-end fee	(611)
Total current portion of long-term debentures - net	190,800
Long-term debentures - net of current portion	362,596
Less: deferred front-end fee	(3,559)
Total non-current portion of long-term debentures - net	359,037
Total long-term debentures	549,837

Long-term debentures are unsubordinated and secured by the Group in THB currency with fixed interest rates. Their fair value as at 31 December 2023 amounted to RM555 million.

The movements of debentures account of the Group during the financial year are summarised below.

	2023
	RM'000
At 1 January 2023	-
Acquisition of subsidiaries (Note 13(i))	621,300
Issuance during the period	160,465
Interest expense (Note 7(b))	21,065
Repayment of long-term debentures	(252,459)
Amortisation of front-end fee	(534)
At 31 December 2023	549,837

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24. Provision for retirement benefits

The Group has unfunded, non-contributory and actuarially computed retirement benefit plans which provide retirement benefits to employees who reach the mandatory retirement age under the provisions of labour laws in Indonesia, Philippines and Thailand.

The amounts recognised in the statements of financial position as at 31 December are as follows:

	Group 2023 RM'000
Present value of defined benefit obligation	199,534

The movements in the present value of defined benefit obligation for the year ended 31 December are as follows:

	Group 2023 RM'000
Defined benefit obligation at 1 January	-
Acquisition of subsidiaries (Note 13(i))	103,300
Internal reorganisation	75,551
Recognised in income statement:	
- Current service cost	11,340
- Interest cost (Note 7)	3,795
Benefits paid	(4,066)
Past service cost	2
Remeasurement gain recognised in profit or loss:	
- Changes in financial assumptions	34
- Experience adjustments	(5,473)
Remeasurement gain recognised in other comprehensive income:	
- Changes in financial assumptions	7,537
- Experience adjustments	1,651
Exchange differences	5,863
Defined benefit obligation at 31 December	199,534

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24. Provision for retirement benefits (cont'd.)

The principal actuarial assumptions used for the year ended 31 December are as follows:

	Group 2023
Discount rate	2.49% - 7.49%
Salary increase rate per annum	5%
Average employee service life	5 - 25 years

Sensitivity analysis

As at 31 December, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption RM'000	Decrease in assumption RM'000
2023			
Annual discount rate	+/- 1%	(63,194)	74,082
Future annual salary increase rate	+/- 1%	72,217	(61,659)

25. Share capital

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Issued and fully paid up:			
As at 1 January/31 December	21,652	21,652	21,652

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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26. Perpetual debt securities

	Group 2023 RM'000
As at 1 January	-
Internal reorganisation	1,097,509
As at 31 December	1,097,509

AAID issued a perpetual debt securities ("PERS") which was fully subscribed by AAB, a subsidiary of CAB. The PERPS bear interest ("Distribution") on its outstanding principal amount and AAID may pay such Distribution semi-annually at 2% per annum for the 12 months effective from the date of signing of the Perpetual Capital Security Purchase Agreement ("Agreement"), and ranging between 8% -12% per annum thereafter ("Distribution rate") until the seventh anniversary of the issuance of the perpetual securities ("First call date").

At each subsequent period after the First call date, the prevailing interest rate is the distribution rate plus step-up margin of 5%. AAID may, at its sole and absolute discretion, elect to defer, in whole or in part, payment of any distribution, unless a compulsory Distribution payment event has occurred.

However, the occurrence of such compulsory Distribution payment event is at the sole discretion of AAID. Following a deferral, arrears of Distributions are cumulative. The PERPS are unsecured and have no fixed redemption date, therefore AAID is not obliged to redeem the principal amount but would have the right, at its own and sole discretion, to redeem in whole or in part, on the First call date or any following Distribution payment date.

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27. Reserves

27.1 Share option reserves

The share option reserves is used to recognise the value of equity-settled share based payments provided to selected eligible employees and directors of the Group, as part of their remuneration.

The share option reserves relates to ESOS granted by the holding company to certain eligible employees of the Company and its subsidiaries. Refer to Note 28 for further details of this plan.

Share option movements are as follow:

	Group	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	25	-
Share-based payment expenses	3,786	18
Internal reorganisation	8,233	-
Deemed investment in subsidiaries	(33,615)	7
At 31 December	(21,571)	25

27.2 Surplus reserves

The surplus reserves arises from a subsidiary's post-tax profits for the financial year, where 10% of the distribution is placed as a surplus reserve. The surplus reserve is maintained to cover the future losses of the subsidiary and may not be used for distribution to the Company unless the subsidiary is liquidated. The subsidiary may discontinue the contribution when the aggregate sum of the surplus reserve is more than 50% of its registered capital of the subsidiary.

27.3 Translation reserve

This reserve represents the foreign currency translation differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

28. Share based payments

Long Term Incentive Scheme ("LTIS")

On 2 August 2021, the Parent company, Capital A Berhad (formerly known as AirAsia Group Berhad) implemented a LTIS comprising an Employee Share Option Scheme ("ESOS") and a Share Grant Scheme. The establishment of the LTIS, which involves up to 10% of the total number of issued shares of the holding company at any point in time throughout the duration of the LTIS, is for the employees and directors of the Company who are eligible in accordance with the By-Laws governing the LTIS. The LTIS is administered by a committee appointed and duly authorised by the Board in accordance with the By-Laws.

The LTIS will be in force for a period of six (6) years commencing from 2 August 2021 and may be extended for a further period of up to 4 years immediately from the expiry of the first six years.

ESOS

On 3 August 2021, the holding company granted 159,400,000 share options ("ESOS") pursuant to the LTIS to selected eligible employees and directors of the Group. The ESOS will be vested on a 3 year-cliff vesting, i.e. 100% will be vested on 31 August 2024, subject to the holding company's share price performance. Employees must remain in service for a period of 3 years from the date of grant up to vesting date. The fair value of the ESOS is estimated at the date of grant using a Monte-Carlo simulation model blended with Black-Scholes model, taking into account the terms and conditions on which the ESOS were granted. The model simulates the share price and takes into account historical and expected dividends, risk-free rate, and the share price volatility of the holding company so as to predict the share performance.

The exercise price of the ESOS is RM0.74 which is equal to the 5-day Volume-weighted average market price ("VWAP") of the shares immediately preceding the date of the ESOS award, with a discount of not more than ten per cent (10%). The vesting period and exercise period of the ESOS will be limited to the duration that the LTIS is in force. There is no cash settlement alternatives for the employees. The Company does not have a past practice of cash settlement for these awards.

There were no cancellations or modifications to the award in 2023.

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28. Share based payments (cont'd.)

ESOS (cont'd.)

Movements during the year

The following table illustrates the number of, and movements in, ESOS of the Group:

	Group	
	2023	**2022**
	'000	**'000**
Outstanding at 1 January	200	-
Granted during the year	16,400	200
Outstanding at 31 December	16,600	200

The fair value of options granted during the year was RM0.282.

The exercise price for ESOS outstanding at the end of the year was RM0.7425.

The following table list the inputs to the model used for the ESOS:

	Share options granted on 3 Aug 2021
Fair value at the measurement date (RM)	0.282
Expected volatility (%)	53.874
Risk-free interest rate per annum (%)	2.242
Expected life of ESOS (years)	6
Model used	Monte-Carlo blended with Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

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29. Significant related party transactions

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

Entities listed under investment in subsidiaries and associates are all considered related parties. Further, the following party with common shareholders and/or directors are also considered related parties for disclosure purposes.

(i) AirAsia X Berhad
(ii) Tune Insurance Malaysia Berhad
(iii) Queens Park Rangers Holdings Ltd
(iv) Thai AirAsia X Co. Ltd
(v) PT Indonesia AirAsia Extra
(vi) Tune Money International Sdn Bhd

All related party transactions were carried out on agreed terms and conditions.

	Group		Economic Entity
	2023	**2022**	**2021**
	RM	**RM**	**RM**
(Repayment to)/advances from holding company			
- Capital A Berhad	(354)	(4,113)	338,027
Turnaround fees			
- AirAsia X	1,626	426	-
- Thai AirAsia X	392	949	-
- AirAsia Berhad	10,478	17,048	-
- AirAsia SEA Sdn Bhd	1,932	105	-
- AirAsia Com Guangzhou	394	-	-
Interest income on advances			
- AirAsia Inc.	-	6,690	6,315
Interest expense on advances			
- AirAsia Berhad	(39,254)	-	-
Advances to/(repayment from) related parties			
- PAA	-	(19,430)	-
- AAB	-	(3,014)	-

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29. Significant related party transactions (cont'd.)

	Group 2023 RM	2022 RM	Economic Entity 2021 RM
Management fees			
- AirAsia Berhad	19,635	-	-
Brand license revenue			
- AirAsia Berhad	29,488	-	-
Brand license cost			
- Brand AA Sdn Bhd	(68,819)	-	-
Redemptions of loyalty points			
- Biglife	8,740	-	-
Loyalty points purchased			
- Biglife	(9,809)	-	-
Commission cost			
- AirAsia Com Travel Sdn Bhd	(124,853)	-	-
Shared services cost			
- AirAsia SEA Sdn Bhd	(7,346)	(92)	-
Marketing cost			
- AirAsia Com Travel Sdn Bhd	12,201	-	-
Revenues from freight and cargo			
- Teleport	25,455	-	-
Aircraft repair and maintenance expenses			
- AirAsia Berhad	(260,581)	-	-
- Asia Digital Engineering	(56,685)	-	-
Aircraft lease rentals			
- Asia Aviation Capital Limited	(316,201)	-	-

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30. Amounts due from/(to) holding company

The details of the receivables and payables from/(to) holding company are as follows:

	Group 2022 RM	2022 RM	Economic Entity 2021 RM
Receivables	29,194	8,337	14
Payables	385,852	648,186	618,013

31. Amounts due from/(to) associates

The details of the receivables and payables from/(to) associates are as follows:

	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Receivables	-	65,264	37,062
Payables	-	160	-

32. Amounts due from/(to) related companies

The details of the receivables and payables from/(to) related companies are as follows:

	Group 2023 RM	2022 RM	Economic Entity 2021 RM
Receivables	94,387	25,128	3,121
Payables	3,046,036	779	7,920

33. Amounts due from/(to) related parties

The details of the receivables and payables from/(to) related parties are as follows:

	Group 2023 RM	2022 RM	Economic Entity 2021 RM
Payables	220,602	-	-

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34. Financial instruments

31 December	Group 2023 RM'000	2022 RM'000	Economic Entity 2021 RM'000
Financial assets at FVOCI			
Investment securities (Note 14)	5,770	-	78,672
Financial assets at amortised costs			
Other receivables (Note 15)	749,479	1,354	-
Trade receivables (Note 15)	99,979	-	-
Amounts due from associates (Note 31)	-	65,264	37,062
Amount due from holding company (Note 30)	29,194	8,337	14
Amounts due from related companies (Note 32)	94,387	25,128	3,121
Cash and bank balances (Note 17)	205,340	10,715	166
Total financial assets at amortised costs	328,921	109,444	40,363
Financial liabilities at FVTPL			
Derivative financial instruments	467	-	-
Financial liabilities at amortised costs			
Trade payables (Note 19)	1,129,656	299	-
Other payables (Note 19)	720,782	9,032	19
Amounts due to associates (Note 31)	-	160	-
Amounts due to related parties (Note 33)	220,602	-	-
Amounts due to holding company (Note 30)	385,852	648,186	618,013
Borrowings (Note 22)	920,108	170,548	-
Total financial liabilities at amortised costs	3,377,000	828,225	618,032

35. Financial risk management policies

The Group is exposed to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Financial risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to market, credit, liquidity and cash flow risks.

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35. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

Interest rate risk

The Group's exposure to market risk for changes in interest rate relates primarily to borrowings with banks and other financial institutions. The Group manages interest costs using a prudent mix of fixed and floating rate bank facilities.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts are as follows:

	Group		Economic Entity
	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Floating rate instruments			
Financial liabilities			
Borrowings (Note 22)	920,108	170,548	-

The weighted average effective interest rates of borrowings with licensed banks as at 31 December 2023 for the Group were 5.36% (2022: 9.16%; 2021: Nil).

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates for the borrowings at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

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35. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(a) Market risk (cont'd.)

Foreign currency risk

The Group's exposure to foreign currency risk is mainly from borrowings denominated in THB. Based on carrying amount as at the end of the reporting year was: below:-

	Group	
	2023	**2022**
	RM'000	**RM'000**
Borrowings	920,108	170,548

The following table demonstrates the sensitivity of the Group's loss before taxation to a reasonably possible change in the THB exchange rates with all other variables held constant:

	Group	
	Loss before taxation	
	2023	**2022**
	RM'000	**RM'000**
THB/RM		
- strengthened by 5%	46,005	8,527
- weakened by 5%	(46,005)	(8,527)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables amounts due from related parties, amounts due form associates, amounts due from subsidiaries, and cash and cash equivalents. The Group's bank balances are placed with licensed and established banks with good credit rating. The directors are of the view that the possibility of non-performance by the banks is remote after taking into account their financial strength.

The Group minimises its credit risk by dealing with creditworthy counterparties, setting credit limits on exposures, and continuously monitoring the counterparties' payment profile and credit exposures. Most of the Group's receivables are due from its related parties which the management believes that there is limited credit risk. As the Group does not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the statement of financial position.

The Group's concentration of credit risk arise primarily from receivables due from associates and related parties.

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35. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(c) Liquidity and cash flow risk

The Group's policy on liquidity risk management is to maintain sufficient cash and cash equivalents and to have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

The table below analyses the Group's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the undiscounted cash flows.

	Less than 1 year RM'000	1-2 years RM'000	2-3 years RM'000
At 31 December 2023			
Undiscounted cashflows			
Borrowings	474,383	534,854	-
Lease liabilities	2,600,032	4,835,769	2,695,348
Trade and other payables (Note 19)	1,829,066	21,372	-
Amounts due to associates (Note 30)	-	160	-
Amounts due to holding company (Note 30)	385,852	-	-
Amounts due to related parties			-
(Note 33)	220,602	-	-
Amounts due to related companies (Note 32)	3,046,036	-	-
	8,555,971	5,392,155	2,695,348

	Less than 1 year RM'000	1-2 years RM'000	2-3 years RM'000
At 31 December 2022			
Undiscounted cashflows			
Borrowings (Note 22)	18,695	151,853	-
Lease liabilities	264	305	259
Trade and other payables (Note 19)	9,331	-	-
Amounts due to holding company (Note 30)	648,186	-	-
Amounts due to associates (Note 31)	160	-	-
Amounts due to related parties (Note 33)	779	-	-
	677,415	152,158	259

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AirAsia Aviation Group Limited
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35. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(c) Liquidity and cash flow risk (cont'd.)

	Less than 1 year RM'000
At 31 December 2021	
Other payables and accruals (Note 19)	19
Amounts due to holding company (Note 30)	618,013
Amounts due to related companies (Note 32)	7,920
	625,952

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

There was no change in the Group's approach to capital management during the financial year.

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AirAsia Aviation Group Limited
(Incorporated in Malaysia)

35. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(d) Capital risk management (cont'd.)

Consistent with others in the industry, the Group monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's balance sheet) less cash and bank balances.

The net gearing ratio as at 31 December 2023, 31 December 2022 and 31 December 2021 are as follows:

	Group		Economic Entity
	2023	2022	2021
	RM'000	RM'000	RM'000
Total borrowings (Note 22)	920,108	170,548	-
Less: Cash and bank balances (Note 17)	205,340	10,715	166
Lease liabilities (Note 21)	8,319,187	828	-
Net debts	9,444,635	182,091	166
Total equity	(5,187,037)	(350,631)	(10,210)
Net Gearing Ratio (times)	(1.82)	(0.52)	(0.02)

The Group is in compliance with all externally imposed requirements for the financial years ended 31 December 2022 and 31 December 2023.

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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35. Financial risk management policies (cont'd.)

(e) Fair value measurement (cont'd.)

Determination of fair value and fair value hierarchy

The Group's financial instruments are measured in the statement of financial position at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's over the counter ("OTC") derivatives. Specific valuation techniques used to value financial instruments includes:

• The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

• The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;

• The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

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35. Financial risk management policies (cont'd.)

(e) Fair value measurement (cont'd.)

Determination of fair value and fair value hierarchy (cont'd.)

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques, including discounted cash flow projections.

36. Reconciliation of liabilities arising from financing activities

	Borrowings 2023 RM'000	Borrowings 2022 RM'000	Lease liabilities 2023 RM'000	Lease liabilities 2022 RM'000
At 1 January	170,548	-	828	-
Cashflows				
Drawdown	100,291	162,357	-	-
Repayments	(183,499)	-	(957,182)	(83)
Non cashflows				
Acquisition of subsidiary	634,100	-	4,301,600	-
Internal reorganisation	160,245	-	3,615,212	-
Transaction cost	(744)	(2,328)	-	-
Interest expense (Note 7(b))	40,968	10,259	234,830	-
Additions	-	-	705,487	911
Modification	-	-	243,116	-
Foreign exchange movement	(1,801)	260	175,296	-
At 31 December	920,108	170,548	8,319,187	828

37. Other matters

(i) Litigation involving AirAsia (India) Limited and Commissioner of Central Tax, Bangalore North

Following the announcements made on 29 December 2020 and 5 January 2021 on the disposal of 32.67% equity interest in AA India with AAAGL receiving RM158,257,515 in gross proceeds, the Economic Entity announced the signing of the share purchase agreement to sell the remaining 16.33% equity interest held in AA India by AAAGL to Air India Limited, an affiliate of Tata Sons Private Limited, India. All customary consents and regulatory approvals have been secured. AAAGL received INR1,556,487,800 (Equivalent to RM78,671,738) in gross proceeds.

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37. Other matters (cont'd.)

(i) Litigation involving AirAsia (India) Limited and Commissioner of Central Tax, Bangalore North (cont'd.)

During the course of the operations of the joint venture, AA India received certain notices from the tax authorities in India. The Economic Entity and its affiliates will continue to cooperate with AAI in contesting these notices. A potential tax liability may arise due to the indemnity provisions agreed in the Sales and Purchase Agreement for the disposal of the investment. However, based on the assessment by the tax and legal experts engaged, AAI has a defensible position against the tax demand.

(ii) Litigation involving 24 former pilots and Thai AirAsia Co., Ltd ("TAA") at Thailand Central Labour Court

On 7 April 2022, 24 cases were filled for the disputes arises from the unpaid wages during voluntary furlough scheme, compensation for unfair dismissal and loss of employment opportunity. Subsequently one case was withdrawn on 9 August 2022, bringing the total number of active cases to 23, which amounts to THB 1,303,065,500.

The court dismissed these 23 cases on 19 October 2023, however 6 out of 23 pilots appealed and court has set the appeal hearing to be on 26 August 2024. The current claim amount from the appeal cases is THB 39,930,000.

38. Significant events

(i) Restructuring of AAV

On 21 October 2021, TAA via its listed holding company, AAV had announced a restructuring and recapitalisation plan ("AAV Restructuring"). The AAV Restructuring involved, amongst others, the Economic Entity disposing its 45 % equity interest in TAA to AAV, resulting in TAA becoming a wholly owned subsidiary of AAV. In return, the Group acquired a 45.12% equity interest in AAV.

(ii) Sale of equity shares of AirAsia India Ltd.

On 2 November 2022, the Company announced the signing of the share purchase agreement to sell the remaining 16.33% equity shares held in AAIndia by AAAGL to Air India Limited, an affiliate of Tata Sons Private Limited, India. There was no gain or loss arising from the disposal.

(iii) Cybersecurity attack

On 12 November 2022, a cybersecurity breach incident was discovered on some of the holding company's redundant and non-critical servers. The Group relies on the information system of its holding company to process data from its operations. Although the systems affected were not critical, the Group, via CAB, has taken the necessary measures to resolve and prevent this incident from reoccurring. There were no operational impact arising from this incident.

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AirAsia Aviation Group Limited
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38. Significant events (cont'd.)

(iii) Cybersecurity attack (cont'd.)

Further, CAB has duly notified and cooperated with the relevant supervisory authorities upon being aware of the cyber breach. CAB has taken the relevant steps to mitigate the impact of the breach including implementing additional measures to prevent similar incidence in the future. To the best of CAB's knowledge and as at the date of this report, CAB has not been made aware of any pending litigation or claims against CAB relating to the incident.

(iv) Deemed acquisition of Asia Aviation Public Company Limited, PT AirAsia Indonesia Tbk, and AirAsia Inc

On 31 May 2023, the Company entered into a Master Brand Licensing Agreement ("MBLA") with AAB and also a Brand Sub Licensing Agreement ("SBLA") with Thai AirAsia Co., Ltd ("TAA") and Asia Aviation Public Company Limited, the parent company of TAA. On 15 June 2023, the Company also entered SBLA with PT Indonesia AirAsia ("IAA") and PT Indonesia AirAsia TBK ("AAID"), the parent company of IAA, Philippines AirAsia Inc. ("PAA") and AirAsia Inc ("AAP"), the parent company of PAA. Effective from the signing date of the SBLA, these entities have to comply with the branding and operation requirements and recommendations made by the Company under the SBLA. With this, the Company is able to direct the relevant activities of these entities and is exposed to variable returns from its involvement with these entities. Pursuant to this, in accordance with MFRS 10, AAV, AAID and AAP, as a parent company of TAA, IAA and PAA respectively, are therefore, deemed as a subsidiary of the Company for accounting consolidation purposes.

39. Subsequent events

(i) On 27 March 2024, proposed assignment of debts totalling RM1,730,000,000 between AAB, AAAGL, AAI, IAA and CAB. Arising from the assignment of debts, the proposed assignment will entail the following:

(a) Assignment of debts due to AAB by AAI and IAA of RM1,730,000,000 to AAAGL;

(b) Assignment of the debts due from AAAGL arising from (a) of RM1,730,000,000 to CAB;

(c) Waiver by CAB of the amount due from AAAGL of RM2,378,000,000 (inclusive of an existing amount due to CAB of RM648,000,000). Resulting from this, AAAGL will recognise the waiver by CAB as capital contribution.

(ii) On 25 April 2024, CAB entered into a conditional share sale and purchase agreement with AirAsia X Berhad ("AAX") for its 100% equity interest in AirAsia Aviation Group Limited ("the Company") for a consideration of RM3,000,000,000.

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39. Subsequent events (cont'd.)

(iii) On 27 March 2024, AAAGL acquired 100% equity interest in AA Com Travel Philippines Inc for a cash consideration of RM872,000 (equivalent to approximately Peso 10.5 million) from CAB. AA Com Travel Philippines holds 60% equity interest in AirAsia Inc., which in turn holds 99.66% equity interest in PAA.

40. Financial support

CAB has indicated its intention to provide financial support to the Group to meet its liabilities and obligation as and when they fall due and to carry on its business without significant curtailment of operations.

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

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

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

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AirAsia Berhad
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Statement by directors

We, Datuk Kamarudin bin Meranun and Riad Asmat, being two of the Directors of AirAsia Berhad, do hereby state that, in the opinion of the Directors, the accompanying consolidated financial statements set out on pages 6 to 104 are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023 and of their financial performance and cash flows for the years then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 July 2024.

Datuk Kamarudin bin Meranun

Riad Asmat

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AirAsia Berhad
(Incorporated in Malaysia)

The Board of Directors
AirAsia Berhad
RedQ,
Jalan Pekeliling 5,
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA,
Selangor Darul Ehsan,
Malaysia.

Reporting Accountants' Opinion on the Consolidated Financial Statements of AirAsia Berhad for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 contained in the Accountants' Report of AirAsia Berhad.

Opinion

We have audited the accompanying consolidated financial statements of AirAsia Berhad ("AAB" or the "Company") and its subsidiaries (the "Group") which comprise the consolidated statements of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021 of the Group, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2021, 31 December 2022 and 31 December 2023, and notes to the consolidated financial statements, including a summary of material accounting policy information ('together, the Consolidated Financial Statements"), as set out on pages 6 to 104. The Consolidated Financial Statements have been prepared for the purpose of complying with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia in connection with the proposed sale of the Group to AirAsia X Berhad ("AAX"), (the "Proposal").

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 31 December 2022 and 31 December 2021 and its consolidated financial performance and cash flows for each of the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the paragraph below under the header Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements section of our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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AirAsia Berhad
(Incorporated in Malaysia)

The Board of Directors
AirAsia Berhad

***Independence* and other ethical responsibilities**

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practise) of the Malaysian Institute of Accountants (By-Laws")) and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code").

Responsibility of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements of the Group for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Consolidated Financial Statements that is free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company and its subsidiaries or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards of auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

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

The Board of Directors
AirAsia Berhad

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (contd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our opinion to the related disclosures in the Consolidated Financial Statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our opinion. However, future events or conditions may cause the Company or its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements of the Group, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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AirAsia Berhad
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The Board of Directors
AirAsia Berhad

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (contd.)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This opinion is issued for the sole purpose of complying with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia in connection with the proposed sale of the Group to AAX in connection with the Proposal and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

Ernst & Young PLT	Low Khung Leong
202006000003 (LLP0022760-LCA) & AF 0039	No. 02697/01/2025 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
31 July 2024

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

Consolidated statements of profit and loss
For the financial year ended 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Revenue	4(a)	6,420,374	3,784,775	691,358
Other income	4(b)	5,098,083	554,901	405,079
Operating expenses				
- Staff costs	5(a)	(631,778)	(374,959)	(298,514)
- Depreciation of property, plant and equipment	10	(43,902)	(59,461)	(89,348)
- Depreciation of right-of-use assets	22	(944,365)	(958,760)	(1,211,051)
- Aircraft fuel expenses	7(a)	(2,802,852)	(1,923,306)	(228,451)
- Maintenance and overhaul	7(b)	(394,205)	(642,090)	(465,523)
- User charges	7(c)	(1,188,520)	(661,409)	(159,409)
- Aircraft operating lease expenses	22	(126,110)	(116,602)	-
- Other operating (expenses) / income, net of reversals		(682,233)	68,809	(193,636)
Operating profit/(loss)		4,704,492	(328,102)	(1,549,495)
Finance income	8(a)	278,118	105,739	90,803
Finance costs	8(b)	(885,513)	(846,382)	(649,468)
Net operating profit/(loss)		4,097,097	(1,068,745)	(2,108,160)
Foreign exchange losses	8(c)	(455,576)	(735,306)	(352,519)
Net fair value gains on derivatives	8(d)	-	45,021	32,033
Share of results of associates	11	(14,583)	(19,965)	(44,130)
Profit/(loss) before taxation		3,626,938	(1,778,995)	(2,472,776)
Taxation	9	(6,070)	(3,336)	(990)
Net profit/(loss) for the financial year		3,620,868	(1,782,331)	(2,473,766)

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

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

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

	Note	Group 2023 RM'000	2022 RM'000	2021 RM'000
Net profit/(loss) for the financial year		3,620,868	(1,782,331)	(2,473,766)
Other comprehensive income/(loss)				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges		-	-	28,815
Foreign currency translation differences		15,314	32,254	(76,904)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		15,314	32,254	(48,089)
Items that will not be subsequently reclassified to profit or loss				
Net movement on investment securities	12	74,195	(4,568)	(5,708)
Net other comprehensive profit/(loss) that may not be reclassified to profit or loss in subsequent periods		74,195	(4,568)	(5,708)
Other comprehensive income/(loss) for the financial year, net of tax		89,509	27,686	(53,797)
Total comprehensive income/(loss) for the financial year		3,710,377	(1,754,645)	(2,527,563)

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

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

Consolidated statements of financial position
As at 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Non-current assets				
Property, plant and equipment	10	263,044	310,791	331,203
Right-of-use assets	22	6,768,547	7,794,545	8,189,596
Finance lease receivables	22	3,002,594	1,774,502	724,169
Investment in associates	11	435,771	434,517	454,482
Investment securities	12	106,847	32,652	37,220
Deferred tax assets	13	734,085	734,085	738,235
Receivables and prepayments	14	4,251,620	3,867,623	3,907,188
Deposits on aircraft purchase	15	617,412	576,034	610,489
		16,179,920	15,524,749	14,992,582
Current assets				
Inventories	17	18,757	8,484	9,739
Receivables and prepayments	14	7,742,449	2,155,340	1,795,126
Finance lease receivables	22	780,452	397,269	545,418
Deposit on aircraft purchase	15	46,345	-	-
Deposits, cash and bank balances	18	168,491	198,463	427,974
Tax recoverable		10,728	1,985	3,321
		8,767,222	2,761,541	2,781,578
Less: Current liabilities				
Trade and other payables	19(a)	2,870,184	1,618,040	1,766,504
Aircraft maintenance provisions and liabilities	20	876,155	976,253	1,015,392
Sales in advance	19(b)	809,091	810,937	547,690
Borrowings	21	147,024	76,701	443,370
Lease liabilities	22	3,459,872	3,220,900	2,719,725
Tax payables		2,473	981	723
		8,164,799	6,703,812	6,493,404
Net current asset/(liabilities)		602,423	(3,942,271)	(3,711,826)

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AirAsia Berhad
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Consolidated statements of financial position
As at 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Non-current liabilities				
Trade and other payables	19(a)	802,108	821,539	394,515
Aircraft maintenance provisions and liabilities	20	4,808,533	4,518,073	4,427,352
Borrowings	21	2,032,798	1,464,983	510,128
Lease liabilities	22	10,643,598	9,986,538	9,376,215
Derivative financial instruments	16	-	-	32,785
		18,287,037	16,791,133	14,740,995
		(1,504,694)	(5,208,655)	(3,460,239)
Capital and reserves				
Share capital	23	2,515,673	2,515,673	2,515,673
Capital contribution	23	2,408	8,824	2,595
Other reserves	25	9,506	(64,689)	(60,121)
Foreign exchange reserve		5,391	(9,923)	(42,177)
Accumulated losses		(4,037,672)	(7,658,540)	(5,876,209)
		(1,504,694)	(5,208,655)	(3,460,239)

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

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Consolidated statements of changes in equity
For the financial year ended 31 December 2021, 2022 and 2023

		<-----	Non-distributable		----->		
	Number of shares '000	**Share capital RM'000 (Note 23)**	**Capital Contribution RM'000 (Note 23)**	**Foreign exchange reserves RM'000**	**Other reserves RM'000 (Note 25)**	**Distributable Retained earnings/ Non-distributable accumulated loss RM'000**	**Total RM'000**
At 1 January 2021	3,341,974	2,515,673	-	34,727	(83,228)	(3,402,443)	(935,271)
Net loss for the financial year	-	-	-	-	-	(2,473,766)	(2,473,766)
Other comprehensive (loss)/income	-	-	-	(76,904)	23,107	-	(53,797)
Total comprehensive loss	-	-	-	(76,904)	23,107	(2,473,766)	(2,527,563)
Employee share option scheme	-	-	2,595	-	-	-	2,595
At 31 December 2021/ 1 January 2022	3,341,974	2,515,673	2,595	(42,177)	(60,121)	(5,876,209)	(3,460,239)
Net loss for the financial year	-	-	-	-	-	(1,782,331)	(1,782,331)
Other comprehensive income/(loss)	-	-	-	32,254	(4,568)	-	27,686
Total comprehensive loss	-	-	-	32,254	(4,568)	(1,782,331)	(1,754,645)
Employee share option scheme	-	-	6,229	-	-	-	6,229
At 31 December 2022	3,341,974	2,515,673	8,824	(9,923)	(64,689)	(7,658,540)	(5,208,655)

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Consolidated statements of changes in equity
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

		<------ Non-distributable			------>	Distributable	
	Number of shares '000	**Share capital RM'000 (Note 23)**	**Capital Contribution RM'000 (Note 23)**	**Foreign exchange reserves RM'000**	**Other reserves RM'000 (Note 25)**	**Retained earnings/ Non-distributable accumulated loss RM'000**	**Total RM'000**
At 31 December 2022/ 1 January 2023	3,341,974	2,515,673	8,824	(9,923)	(64,689)	(7,658,540)	(5,208,655)
Net profit for the financial year	-	-	-	-	-	3,620,868	3,620,868
Other comprehensive income	-	-	-	15,314	74,195	-	89,509
Total comprehensive income	-	-	-	15,314	74,195	3,620,868	3,710,377
Employee share option scheme	-	-	(6,416)	-	-	-	(6,416)
At 31 December 2023	3,341,974	2,515,673	2,408	5,391	9,506	(4,037,672)	(1,504,694)

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

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Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit/ (loss) before taxation		3,626,938	(1,778,995)	(2,472,776)
Adjustments for:				
Property, plant and equipment				
- Depreciation	10	43,902	59,461	89,348
- Gain on disposals	4(b)	(248)	(133)	(35,731)
- Reversal of impairment	10	(421)	(6,956)	(17,186)
Right-of-use assets				
- Depreciation	22	944,365	958,760	1,211,051
- Reversal of impairment	22	-	(406,053)	-
- Loss on termination	22	378,605	-	-
Loss/(Gain) on lease modifications	22	(87,185)	316,987	(210,813)
Impairment / (reversal of impairment) on				
- investment in associate				
- trade and other receivables	6	(41,162)	67,853	2,833
- amounts due from associates	6			
- amounts due from related parties	6	116,379	-	13,264
- finance lease receivables	22	-	(48,734)	-
Gain on disposal of brand		(4,500,000)	-	-
Share-based payments	24	2,409	2,479	1,033
Share of results of associates		14,583	19,965	44,130
Provision on stock loss		-	-	5,066
Net fair value gains on derivatives	8(d)	-	(45,021)	(32,033)
Operating profit/(loss) carried forward		498,165	(860,387)	(1,401,814)

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Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities (cont'd.)				
Operating profit/(loss) brought forward		498,165	(860,387)	(1,401,814)
Net unrealised foreign exchange loss	8(c)	284,830	655,941	345,066
Interest expense	8(b)	258,997	230,625	76,376
Interest expense - lease liabilities	8(b)	626,516	615,757	573,092
Interest income	8(a)	(53,061)	(51,890)	(45,573)
Interest income - finance lease receivables	8(a)	(225,057)	(53,849)	(45,230)
		1,390,390	536,197	(498,083)
Changes in working capital:				
Inventories		(10,273)	1,255	(21,252)
Receivables and prepayments		(2,200,608)	(11,874)	(133,120)
Payables and provisions		1,253,595	155,682	1,267,054
Sales in advance		(1,846)	263,247	(1,984)
Amounts due (to)/from associates, related parties and immediate holding company		(54,931)	(430,426)	(501,841)
Cash generated from operations		376,327	514,081	110,774
Interest paid		(178,109)	(172,585)	(69,444)
Interest received		2,174	1,528	664
Taxes paid		(6,010)	(2,166)	(4,375)
Net cash generated from operating activities		194,382	340,858	37,619
Cash flows from investing activities				
Property, plant and equipment				
- Additions		(85,121)	(32,521)	(30,937)
- Proceeds from disposals		93,599	3,997	255,177
Net cash from/(to) investing activities carried forward		8,478	(28,524)	224,240

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Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities (cont'd.)				
Net cash from/(to) investing activities brought forward		8,478	(28,524)	224,240
Proceeds from disposal of a derivative		-	12,140	-
Net changes:				
- Deposits pledged as securities and restricted cash		(18,463)	(2,988)	(1,601)
- Deposits with licensed banks with maturity period of more than 3 months		(8,717)	176	(9)
Proceeds from disposal of subsidiaries		-	1,616	-
Acquisition of investment securities	12	-	-	(122)
Receipt of finance lease receivables		917,335	118,178	350,579
Net cash generated from investing activities		898,633	100,598	573,087

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Consolidated statements of cash flows
For the financial year ended 31 December 2021, 2022 and 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from financing activities				
Proceeds from borrowings		680,274	998,528	521,060
Repayment of borrowings		(42,136)	(415,730)	(464,819)
Payment of lease liabilities		(1,788,346)	(1,256,577)	(426,984)
Net cash used in financing activities		(1,150,208)	(673,779)	(370,743)
Net (decrease)/increase for the financial year		(57,193)	(232,323)	239,963
Currency translation differences		41	-	998
Cash and cash equivalents at beginning of the financial year		187,262	419,585	178,624
Cash and cash equivalents at end of the financial year		130,110	187,262	419,585

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

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Notes to the consolidated financial information
For the financial year ended 31 December 2021, 2022 and 2023

1. General information

AirAsia Berhad ("AAB" or "the Company") is a public limited liability company incorporated and domiciled in Malaysia.

This Accountants' Report comprises the consolidated financial information of AirAsia Berhad and its subsidiaries, collectively known as "the Group" which includes the consolidated statements of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021, and a material accounting policy information and other explanatory notes.

The principal activity of the Group is that of providing air transportation services and aircraft leasing services. The principal activities of the associates are described in Note 11. There were no significant changes in the nature of these activities during the financial year reported in the Accountants' Report.

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

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

The holding company is Capital A Berhad ("CAB"), which is incorporated in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

2. Material accounting policy information

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

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2. Material accounting policy information (cont'd.)

2.1 Basis of preparation (cont'd.)

The financial statements of the Group have been prepared under the historical cost convention, unless otherwise disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

As at 31 December 2023, the shareholder's deficit is RM1.5 billion (2022: RM5.2 billion; 2021: RM3.5 billion) is a going concern indicator.

These conditions may affect the ability of the Group to meet its financial obligations as and when they fall due. The Group has undertaken several actions to mitigate this risk as disclosed below:

1. Funding

The Group is currently engaged in discussion with lenders at different stages for debt and equity fundraising, with an estimated amount of RM3 billion. As at the date of this report, the Group has received commitment from investors for a Revenue Bond Program of up to RM1.68 billion (equivalent to USD365 million). The Revenue Bond program entails the conversion of the Group's outstanding lease payments of RM1.1 billion (approximately USD240 million) into a bond (Tranche 1) and cash inflow of approximately RM575 million (approximately USD125 million) (Tranche 2) to finance the Group's working capital, maintenance cost and lease rentals. The Revenue Bond will be secured against passenger seat sales from identified routes and shares in the Group. Tranche 1 of the Revenue Bond has a tenure of 2.5 years whereas Tranche 2 has a tenure of 4 years. The bonds are expected to be issued by end of August 2024.

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2. Material accounting policy information (cont'd.)

2.1 Basis of preparation (cont'd.)

These conditions may affect the ability of the Group to meet its financial obligations as and when they fall due. The Group has undertaken several actions to mitigate this risk as disclosed below: (cont'd.)

2. Capacity and Network Management

For the first quarter of 2024, AAB is implementing all possible to measures to return the grounded fleet to service which is estimated to be completed by end of 2024.

This is based on the Directors' cash flow projections with major assumptions being the Directors' expectations of the recovery in passenger numbers arising from the resumption of domestic and international travel, the volatility of major operating costs and the continuous support of the Group's aircraft lessors as well as the debt raise under Revenue Bond Program. The Directors believe that the Group will continue to receive support from its lessors and complete the implementation of the Revenue Bond Program. Based on the cash flow forecast which incorporates the actions taken to date, the Directors concluded that there is no material uncertainty on the Group's and the Company's ability to continue as going concerns. The Directors have accordingly prepared the financial statements of the Group and the Company on a going concern basis.

By 31 December 2023, the Group had successfully restructured 161 aircraft leases and was in discussions with lessors to restructure the remaining leases, seeking to waive the lease rentals in arrears and to reduce future lease rates while extending lease terms where appropriate.

2.2 Standards, amendments to published standards and interpretations that are effective

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2021:

Amendments to MFRS 4 Insurance Contracts (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 7 Financial Instruments Disclosures (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 9 Financial Instruments (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 16 Leases (Amendments to Interest Rate Benchmark Reform - Phase 2)

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2. Material accounting policy information (cont'd.)

2.2 Standards, amendments to published standards and interpretations that are effective (cont'd.)

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2021: (cont'd.)

Amendments to MFRS 139 Recognition and Measurement (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 16 Leases (Amendments to COVID-19 Related Rent Concessions beyond 30 June 2021)

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2022:

Amendments to MFRS 116: Property, Plant and Equipment:
- Property, Plant and Equipment - Proceeds before intended use

Amendments to MFRS 137: Onerous Contracts
- Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 1: First-time Adoption of International Financial Reporting Standards
  - Subsidiary of a First-time Adopter
- Amendments to MFRS 9: Financial Instruments
  - Fees in the '10 Percent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 141: Agriculture
  - Taxation in Fair Value Measurements

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 137: Onerous Contracts
- Costs of Fulfilling a Contract

Amendment to MFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2022 (effective 1 April 2022)

The Group and the Company has applied the following amendments for the first time for the financial year beginning on 1 January 2023:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)
MFRS 108: Definition of Accounting Estimates (Amendment to MFRS 108)
MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17)
MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)
MFRS 112: International Tax Reform - Pillar Two Model Rules (Amendment to MFRS 112)

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2. Material accounting policy information (cont'd.)

2.2 Standards, amendments to published standards and interpretations that are effective (cont'd.)

The adoption of these new amendments, standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Company, except for:

MFRS 101: Disclosure of Accounting Policies (Amendment to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 and MFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's and the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Company's financial statements.

2.3 Standards issued but not yet effective

The amendments, standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and Company's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
MFRS 101: Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2024
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback (Amendments to MFRS 16)	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants (Amendments to MFRS 101)	1 January 2024

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2. Material accounting policy information (cont'd.)

2.3 Standards issued but not yet effective

The amendments, standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and Company's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. (cont'd.)

	Effective for annual periods beginning on or after
MFRS 7 and MFRS 107: Supplier Finance Arrangements (Amendments to MFRS 7 and MFRS 107)	1 January 2024
MFRS 121: Lack of Exchangeability (Amendments to MFRS 121)	1 January 2025
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above amendments, standards and interpretations will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

2.4.1 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.1 Subsidiaries

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.1 Subsidiaries (cont'd.)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net asset of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate' in the consolidated statement of profit or loss.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.
The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Material accounting policy information (cont'd.)

2.4 Basis of consolidation (cont'd.)

2.4.2 Associates (cont'd.)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.
Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.5 Property, plant and equipment

Plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Where significant parts of an item of plant and equipment are required to be replaced at intervals, the Group recognises such parts in the carrying amount of the plant and equipment as a replacement when it is probable that future economic benefits associated with the parts will flow to the Group and the cost of the parts can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the period in which they are incurred.

Freehold land is not depreciated. Significant parts of an item of plant and property are depreciated separately over their estimated useful lives in accordance with the principle in MFRS 116 "Property, Plant and Equipment". Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives.

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2. Material accounting policy information (cont'd.)

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

The useful lives for this purpose are as follows:

Aircraft	
- engines, airframes and spare engines excluding service potential	25 years
- service potential of engines	8 years
- service potential of airframes	13 years
- service potential of spare engines	11 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	28.75 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
In-flight equipment	5 years
Training equipment	5 years

Service potential of 8 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 8 years.

Service potential of 13 years for airframes represents the period over which the expected cost of the first major airframe check is depreciated. Subsequent to the airframe check, the actual cost incurred is capitalised and depreciated over the subsequent 13 years.

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use. Useful lives of assets are reviewed and adjusted if appropriate, at the reporting date.

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

2. Material accounting policy information (cont'd.)

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the profit or loss.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2.7 Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for owned aircraft is described in accounting policy Note 2.5 on property, plant and equipment.

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2. Material accounting policy information (cont'd.)

2.7 Maintenance and overhaul (cont'd.)

Leased aircraft

Where the Group has a commitment to maintain aircraft held under operating leases, provision is made during the lease term for the rectification obligations contained within the lease agreements. The provisions are based on estimated future costs of major maintenance checks and one-off costs incurred at the end of the lease by making appropriate charges to the income statement calculated by reference to the number of hours or cycles operated during the financial year.

2.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

i) ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Aircraft and spare engines	2 - 19 years
Land and building	2 - 20 years

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2. Material accounting policy information (cont'd.)

2.8 Leases (cont'd.)

Group as a lessee (cont'd.)

i) ROU assets (cont'd.)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The ROU assets are also subject to impairment. Refer to the accounting policies in Note 2.6 impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease modifications that are not accounted for as separate leases are accounted as adjustments to the carrying value of the lease liability with a corresponding impact to the related right-of-use asset.

2. Material accounting policy information (cont'd.)

2.8 Leases (cont'd.)

Group as a lessee (cont'd.)

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee.

i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 'Financial Instruments' on impairment of financial assets. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

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2. Material accounting policy information (cont'd.)

2.8 Leases (cont'd.)

Group as a lessor (cont'd.)

ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

iii) Sublease classification

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

The Group as an intermediate lessor accounts for the sublease as follows:

- If the sublease is classified as an operating lease, the original lessee continues to account for the lease liability and ROU asset on the head lease.
- If the sublease is classified as a finance lease, the original lessee derecognises the ROU asset on the head lease at the sublease commencement date and continues to account for the original lease liability. The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates it for impairment.

2. Material accounting policy information (cont'd.)

2.9 Inventories

Inventories which comprise consumables used internally for repairs and maintenance are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less all applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

2.10 Financial assets

2.10.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.1 Initial recognition and measurement (cont'd.)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.10.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.2 Subsequent measurement (cont'd.)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Amortised costs

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.10.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.3 Derecognition (cont'd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.10.4 Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Material accounting policy information (cont'd.)

2.10 Financial assets (cont'd.)

2.10.4 Impairment (cont'd.)

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group’s debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However,in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Financial liabilities

2.11.1 Classification and measurement

The Group classifies its financial liabilities in the following category: other financial liabilities. Management determines the classification of financial liabilities at initial recognition.

The Group does not hold any financial liabilities carried at fair value through profit or loss (except for derivative financial instruments).

2. Material accounting policy information (cont'd.)

2.11 Financial liabilities (cont'd.)

2.11.1 Classification and measurement (cont'd.)

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial liability and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the income statements.

The Group's other financial liabilities comprise payables (including intercompanies and related parties' balances), borrowings and lease liabilities in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.13 Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

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2. Material accounting policy information (cont'd.)

2.13 Derivatives and hedge accounting (cont'd.)

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

(a) There is 'an economic relationship' between the hedged item and the hedging instrument.

(b) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

(c) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Designation of a risk component of a hedged item is permitted when it is a separable identifiable component of the item, and the changes in the cash flows or the fair value of the item attributable to changes in the risk component is reliably measured.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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2. Material accounting policy information (cont'd.)

2.13 Derivatives and hedge accounting (cont'd.)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'net fair value gains/(losses) on derivatives'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'net fair value gains or losses on derivatives'.

2.14 Cash and cash equivalents

For the purpose of the statements of cash flow, cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short term, highly liquid investments with original maturities of three months or less, less bank overdrafts. Deposits held as pledged securities for banking facilities granted to the Group are not included as cash and cash equivalents.

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2. Material accounting policy information (cont'd.)

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

Contingent liabilities are not recognised in the statement of financial position but are disclosed in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but disclosed in the notes to financial statements when an inflow of economic benefits is probable. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements.

2.16 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

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2. Material accounting policy information (cont'd.)

2.17 Current and deferred income tax (cont'd.)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits including unused investment tax allowance can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, joint ventures or associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2. Material accounting policy information (cont'd.)

2.18 Employee benefits

2.18.1 Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

2.18.2 Defined contribution retirement plan

The Group's contributions to the Employees' Provident Fund are charged to income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18.3 Share-based payments

Employees of the Company and certain subsidiary companies of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the share options at the date of grant. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserves over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's and the Group's best estimate of the number of share options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for share options that do not ultimately vest because market performance and/or service conditions have not been met. The proceeds received net of any directly attributable transaction costs and the employee share option reserve relating to the vested options are transferred to share capital when the share options are exercised.

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2. Material accounting policy information (cont'd.)

2.19 Revenue and other income

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2.19.1 Schedule flights, charter flights and ancillary services

These revenues relate to scheduled passenger flight and charter flight income and is recorded net of discounts and includes the related ancillary revenue (including airport and insurance surcharges, administrative fees, baggage fee, assigned seat, cancellation, documentation and other fees, and on-board sale of meals and merchandise). The Group initially recognises ticket sales as 'sales in advance' which is presented as current liabilities in line with MFRS 15. Revenue is recognised when the air transportation service is provided (i.e. recognised at a point in time).

2.19.2 Aircraft operating leases

Revenue from aircraft operating leases is recorded on a straight-line basis over the term of the lease.

2.19.3 Interest income

Interest income is recognised using the effective interest method.

2.19.4 Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., upon completion of services rendered to customer).

2. Material accounting policy information (cont'd.)

2.20 Foreign currencies

2.20.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

2.20.2 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2. Material accounting policy information (cont'd.)

2.20 Foreign currencies (cont'd.)

2.20.2 Transactions and balances (cont'd.)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.21 Maintenance reserve funds

Maintenance reserve funds relate to payments made by the lessee for maintenance activities undertaken during the lease period. The Group will reimburse the lessee for agreed maintenance work done as and when incurred. The Group records the amounts received as maintenance reserve funds. At the expiry of the lease term, excess maintenance reserve is recognised in the profit and loss account.

2.22 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets/liabilities are classified as non-current assets/liabilities.

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3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

3.1 Impairment assessment of property, plant and equipment and right-of-use assets

The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. This requires an estimation of the value in use of the airline cash generating units.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

There is a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of expected recovery. As a result, the estimates and assumptions used in the cash flow projections which form the basis of the recoverable amounts attributable to the CGUs require significant judgement. These judgements require estimates to be made over areas including those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates.

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3. Critical accounting estimates and judgements (cont'd.)

3.1 Impairment assessment of property, plant and equipment and right-of-use assets (cont'd.)

Further details of the carrying value, the key assumptions applied in the impairment assessment of property, plant and equipment and right-of-use assets are disclosed in Notes 10 and 22.

3.2 Impairment assessment of financial assets

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance ("ECL") for all receivables (including intercompanies and related parties' balances).

The Group assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates specific to the debtors at the end of each reporting period.

3.3 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

Key assumptions and estimates concerning the future used to estimate the future taxable profits have considered the effects of the COVID-19 pandemic.

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3. Critical accounting estimates and judgements (cont'd.)

3.4 Provision for aircraft maintenance and overhaul costs

The Group operates aircraft which are either owned or held under operating lease arrangement. In respect of the aircraft held under operating lease arrangements, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

A provision by its nature is more uncertain than most other items in the statement of financial position. The estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.

3.5 Impairment assessment of interests in associates and joint ventures

The Company's interests in subsidiaries, associates and joint ventures are tested for impairment by comparing the carrying amounts with the value in use. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the operation of the subsidiaries, the associates and the joint ventures, and to apply a suitable discount rate and growth rate in order to calculate the present value of those cash flows.

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4. Revenue and other income

(a) Revenue

	2023 RM'000	2022 RM'000	2021 RM'000
Passenger revenue			
- seat sales	4,309,335	2,859,127	497,482
- ancillary	2,026,987	866,225	180,515
Freight services	84,052	59,423	13,361
	6,420,374	3,784,775	691,358

Ancillary passenger revenue includes ancillary income such as baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sale of meals, merchandise and other fees.

Revenue by reportable geographical segment is as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Malaysia	6,420,374	3,784,775	678,215
Others	-	-	13,143
	6,420,374	3,784,775	691,358
Timing of revenue recognition			
At a point in time	6,420,374	3,784,775	691,358

Salient terms of revenue from contracts with customers:

- Schedule flights	Normally settled by cash and refunds for airport tax are claimable up to 6 months period of travel date.
- Charter flights	Full upfront payment before the flight.
- Freight services	Credit term of 30 days (2022: 30 days) from invoice date.
- Ancillary service	Normally settled by cash and generally no refunds.

Contract balances are disclosed in Note 19 and remaining unfulfilled performance obligations are disclosed as sales in advance.

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

(b) Other income

	2023 RM'000	2022 RM'000	2021 RM'000
Gain on disposal of property, plant and equipment	248	133	35,731
Support service fees charged to related parties for provision of support services	1,234	1,797	50,800
Gain on disposal of brand (Note 14(g))	4,500,000	-	-
Airline operating lease income	179,361	304,819	247,934
Brand license fee	38,925	37,025	-
Gain on termination of lease	112,183	-	-
Others	266,132	211,127	70,614
	5,098,083	554,901	405,079

"Others" income includes commission income and advertising income.

Airline operating lease income

The operating lease income are from the following lessees:

	2023 RM'000	2022 RM'000	2021 RM'000
Related companies:			
PT Indonesia AirAsia ("IAA")	34,834	63,580	44,371
AirAsia Inc (including Philippines AirAsia Inc)	-	303	83
Thai AirAsia Co. Ltd ("TAA")	100,572	204,447	175,793
AirAsia India Limited ("AA India")	-	-	273
Teleport Everywhere Pte Ltd	43,955	8,467	886
Others:			
Third-parties	-	28,022	26,528
	179,361	304,819	247,934

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5. Staff costs and directors' remuneration

(a) Staff costs

	2023 RM'000	2022 RM'000	2021 RM'000
Salaries, bonus, allowances and other employee benefits	575,371	338,180	272,090
Defined contribution retirement plan	56,407	36,779	26,424
	631,778	374,959	298,514

(b) Directors' remuneration

	2023 RM'000	2022 RM'000	2021 RM'000
Non-Executive Directors			
- fees	-	-	17

6. Other operating expenses net of reversals

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

	2023 RM'000	2022 RM'000	2021 RM'000
Impairment of:			
- trade and other receivables (Note 14)	120,545	67,853	16,097
Reversal of impairment of:			
- finance lease receivables (Note 22)	-	(48,734)	-
- property, plant and equipment (Note 10)	(421)	(6,956)	(17,186)
- right-of-use assets (Note 22)	-	(406,053)	-
- trade and other receivables (Note 14)	(45,328)	-	-
Fees charged by a related company for provision of support services	64,481	93,023	64,186
Auditors' remuneration			
- audit fees	1,400	1,099	1,048
Advertising costs	14,029	8,464	14,530

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7. Aircraft fuel expenses, maintenance and overhaul and user charges

(a) Aircraft fuel expenses

Aircraft fuel expenses encompass both the direct fuel cost and any gains or losses incurred through fuel hedging. The Group ceased fuel hedging operations in 2022.

(b) Maintenance and overhaul

Maintenance and overhaul include maintenance related works on aircraft, the related consumables and aircraft maintenance provision.

(c) User charges

User charges include airport related charges, ground operational charges, aircraft insurance cost and inflight related expenses.

8. Finance income/(costs), foreign exchange (losses)/gains and net fair value gains/(losses) on derivatives

(a) Finance income

	2023 RM'000	2022 RM'000	2021 RM'000
Interest income from:			
- deposits, cash and bank balances with licensed banks	2,150	1,307	640
- amounts due from related companies and associates	40,112	38,401	40,181
- finance lease receivables	225,057	53,849	45,230
Impact of discounting effect on financial instruments	10,775	11,961	4,728
Others	24	221	24
	278,118	105,739	90,803

AAB's subsidiary, Asia Aviation Capital Ltd ("AACL") leases aircrafts, including components of aircrafts, which it sub-leases to its related companies. The related companies are IAA, PAA and TAA.

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8. Finance income/(costs), foreign exchange (losses)/gains and net fair value gains/(losses) on derivatives (cont'd.)

(b) Finance costs

	2023 RM'000	2022 RM'000	2021 RM'000
Interest expense			
- bank borrowings	(178,109)	(152,916)	(69,444)
- lease liabilities	(626,516)	(615,757)	(573,092)
- advances from holding company*	(74,070)	(73,974)	-
Others	(6,818)	(3,735)	(6,932)
	(885,513)	(846,382)	(649,468)

* The Company obtained funding from its holding company through a RCUIDS program implemented by the holding company. Interest was charged at 9% per annum. Details of the RCUIDS is disclosed in Note 19.

(c) Foreign exchange losses

	2023 RM'000	2022 RM'000	2021 RM'000
Realised	(170,746)	(79,365)	(7,453)
Unrealised	(284,830)	(655,941)	(345,066)
	(455,576)	(735,306)	(352,519)

(d) Net fair value gains on derivatives

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

Fair value gains on derivatives consists of fair value changes due to movement in mark-to-market ("MTM") position on outstanding hedging contracts that did not qualify for hedge accounting. The Group had terminated all hedging contracts by the end of 2022.

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9. Taxation

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

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9. Taxation (cont'd.)

The explanation of the relationship between taxation and loss before taxation is as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Profit/(loss) before taxation	3,626,938	(1,778,995)	(2,472,776)
Tax calculated at Malaysian tax rate of 24%	870,466	(426,959)	(593,466)
Tax effects of:			
- foreign taxation	28,397	3,315	2,464
- expenses not deductible for tax purposes	265,696	174,079	94,727
- income not subject to tax	(1,213,651)	(1,442)	(9,399)
- underprovision of income tax in respect of previous years	20	20	812
- share of results of associates	(3,500)	(4,792)	(10,591)
- under provision of deferred tax in respect of previous years	-	-	27
- deferred tax assets not recognised	58,642	259,115	516,416
	6,070	3,336	990

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10. Property, plant and equipment

	At 1 January 2023 RM'000	Additions RM'000	Disposals RM'000	Reclassi-fication RM'000	Depreciation charge RM'000	Reversal of impairment RM'000	Exchange differences RM'000	At 31 December 2023 RM'000
Group								
Carrying amount								
Aircraft engines, airframes and service potential	120,988	-	(93,339)	-	(15,732)	-	3,575	15,492
Aircraft spares	21,539	404	-	-	(5,938)	-	-	16,005
Aircraft fixtures and fittings	6,560	-	-	69	(6,629)	421	-	421
Buildings	138,986	-	-	321	(6,067)	-	-	133,240
Motor vehicles	2,667	647	-	-	(1,167)	-	-	2,147
Office equipment, furniture and fittings	11,590	79,512	(12)	-	(5,269)	-	-	85,821
Office renovation	3,357	440	-	-	(1,882)	-	-	1,915
Simulator equipment	547	-	-	-	(9)	-	-	538
Operating plant and ground equipment	4,206	4,118	-	-	(944)	-	-	7,380
In-flight equipment	317	-	-	(1)	(236)	-	-	80
Training equipment	34	-	-	-	(29)	-	-	5
	310,791	85,121	(93,351)	389	(43,902)	421	3,575	263,044

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

	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Group (cont'd.)			
At 31 December 2023			
Aircraft engines, airframes and service potential	34,294	(17,730)	16,564
Aircraft spares	28,743	(12,738)	16,005
Aircraft fixtures and fittings	147,594	(147,173)	421
Buildings	176,791	(43,551)	133,240
Motor vehicles	13,664	(11,517)	2,147
Office equipment, furniture and fittings	242,536	(157,779)	84,757
Office renovation	42,219	(40,312)	1,907
Simulator equipment	238	300	538
Operating plant and ground equipment	13,393	(6,013)	7,380
In-flight equipment	3,381	(3,301)	80
Training equipment	4,344	(4,339)	5
	707,197	(444,153)	263,044

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

	At 1 January 2022 RM’000	Additions RM’000	Disposals RM’000	Reclassi-fication RM’000	Depreciation charge RM’000	Reversal of Impairment RM’000	Exchange differences RM’000	At 31 December 2022 RM’000
Group (cont'd.)								
Carrying amount								
Aircraft engines, airframes and service potential	132,629	-	-	-	(21,930)	6,956	3,333	120,988
Aircraft spares	4,416	27,733	(3,467)	-	(7,143)	-	-	21,539
Aircraft fixtures and fitting	16,129	4	-	-	(9,573)	-	-	6,560
Buildings	144,939	130	-	-	(6,083)	-	-	138,986
Motor vehicles	3,119	397	-	-	(849)	-	-	2,667
Office equipment, furniture and fittings	19,656	1,489	(48)	103	(9,610)	-	-	11,590
Office renovation	5,345	516	-	-	(2,504)	-	-	3,357
Simulator equipment	556	-	-	-	(9)	-	-	547
Operating plant and ground equipment	3,801	2,215	(349)	-	(1,461)	-	-	4,206
In-flight equipment	612	-	-	-	(295)	-	-	317
Training equipment	1	37	-	-	(4)	-	-	34
	331,203	32,521	(3,864)	103	(59,461)	6,956	3,333	310,791

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

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2022				
Aircraft engines, airframes and service potential	260,993	(134,198)	(5,807)	120,988
Aircraft spares	28,682	(7,143)	-	21,539
Aircraft fixtures and fittings	147,561	(141,001)	-	6,560
Buildings	176,550	(37,564)	-	138,986
Motor vehicles	13,298	(10,631)	-	2,667
Office equipment, furniture and fittings	163,645	(152,055)	-	11,590
Office renovation	41,670	(38,313)	-	3,357
Simulator equipment	654	(107)	-	547
Operating plant and ground equipment	9,247	(5,041)	-	4,206
In-flight equipment	3,381	(3,064)	-	317
Training equipment	4,380	(4,346)	-	34
	850,061	(533,463)	(5,807)	310,791

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

	At 1 January 2021 RM'000	Additions RM'000	Disposals RM'000	Reclassi- fication RM'000	Depreciation charge RM'000	Reversal of impairment RM'000	Exchange differences RM'000	At 31 December 2021 RM'000
Group (cont'd.)								
Carrying amount								
Aircraft engines, airframes and service potential	170,051	18,179	(39,416)	-	(21,332)	-	5,147	132,629
Aircraft spares	118,379	7,159	(117,370)	-	(20,938)	17,186	-	4,416
Aircraft fixtures and fittings	39,994	122	(8,689)	-	(15,298)	-	-	16,129
Buildings	197,090	2,257	(47,421)	618	(7,605)	-	-	144,939
Motor vehicles	3,636	725	-	-	(1,242)	-	-	3,119
Office equipment, furniture and fittings	39,221	550	(3,682)	233	(16,723)	-	57	19,656
Office renovation	11,780	183	(2,621)	-	(3,997)	-	-	5,345
Simulator equipment	595	-	-	-	(39)	-	-	556
Operating plant and ground equipment	4,112	1,762	(247)	-	(1,826)	-	-	3,801
In-flight equipment	960	-	-	-	(348)	-	-	612
Training equipment	1	-	-	-	-	-	-	1
	585,819	30,937	(219,446)	851	(89,348)	17,186	5,204	331,203

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

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2021				
Aircraft engines, airframes and service potential	254,436	(114,850)	(6,957)	132,629
Aircraft spares	4,416	-	-	4,416
Aircraft fixtures and fittings	147,527	(125,592)	(5,806)	16,129
Buildings	176,412	(31,473)	-	144,939
Motor vehicles	13,825	(10,706)	-	3,119
Office equipment, furniture and fittings	172,289	(152,633)	-	19,656
Office renovation	45,233	(39,888)	-	5,345
Simulator equipment	5,381	(4,825)	-	556
Operating plant and ground equipment	15,706	(11,905)	-	3,801
In-flight equipment	3,450	(2,838)	-	612
Training equipment	1	-	-	1
	838,676	(494,710)	(12,763)	331,203

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11. Investment in associates

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

In 2023, the Group capitalized part of its advances to GTR amounting to RM15,836,986 as consideration for a rights issue by GTR.

The details of the associates are as follows:

Name of entity	Group's effective equity interest 2023 %	2022 %	2021 %	Country of incorporation	Principal activities
Held by AAB					
AirAsia Philippines Inc[f]	39.9	39.9	39.9	Philippines	Dormant
Ground Team Red Holdings Sdn Bhd ("GTRH")[f]	50	50	50	Malaysia	Investment holding

[f] Audited by a firm other than Ernst & Young.

All of the investment in associates are accounted for using the equity method.

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11. Investment in associates (cont'd.)

All associates have the same reporting period as the Group except for GTRH which has a reporting date of 31 March. For the purpose of applying the equity method of accounting for associates, the last audited financial statements available and the management financial statements as at end of the accounting period of the associate were used.

There are no material contingent liabilities relating to the Group's interest in the associates.

Material associates

The directors consider GTRH as material associates to the Group. GTRH has investments in GTR and GTRSG which provide ground handling services in Malaysia and Singapore respectively.

Summarised financial information for associates

The tables below provide summarised financial information for GTRH that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of GTRH and not the Group's share of those amounts. They include adjustments when applying the equity method.

Summarised statements of financial position

		GTRH	
	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Non-current assets	806,952	836,060	875,951
Current assets	4	3	3
Current liabilities	(1,326)	(1,267)	(1,228)
Net assets	805,630	834,796	874,726

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11. Investment in associates (cont'd.)

Summarised statements of comprehensive income

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

Reconciliations of summarised financial information:

	GTRH		
	2023	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**
Net assets	805,630	834,796	874,726
Group's interest in associates	50%	50%	50%
Interest in associates	402,815	417,398	437,363
Carrying value at 31 December	402,815	417,398	437,363

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12. Investment securities

	2023 RM'000	2022 RM'000	2021 RM'000
Listed equity securities			
At 1 January	32,530	37,098	42,806
Fair value loss			
- recognised in other comprehensive income	74,195	(4,568)	(5,708)
At 31 December	106,725	32,530	37,098
Unlisted equity securities			
At 1 January	122	122	-
Addition during the year	-	-	122
At 31 December	122	122	122
Total	106,847	32,652	37,220

Financial assets at fair value through other comprehensive income comprise investments in equity securities of listed and non-listed companies which were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group holds non-controlling equity interest of 13% (2022 and 2021: 14%) in a listed equity security, AirAsia X Berhad ("AAX"). In addition, the Group also holds non-controlling equity interests of 14% in 1 unlisted equity securities (2022: 14% respectively in 1 unlisted equity securities and 2021: 2% and 14% respectively in 2 unlisted equity securities).

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13. Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	2023 RM'000	2022 RM'000	2021 RM'000
At beginning of year	734,085	738,235	744,635
Recognised in profit or loss (Note 9)	-	-	2,699
Recognised in other comprehensive income	-	-	(9,099)
Disposal of subsidiaries	-	(4,150)	-
At end of year	734,085	734,085	738,235

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

	2023 RM'000	2022 RM'000	2021 RM'000
At beginning of financial year	734,085	738,235	744,635
Credited/(Charged) to income statement			
- property, plant and equipment	2,184	1,711	1,410
- unabsorbed capital allowances	262,481	186,586	(53,884)
- unabsorbed investment tax allowances	(178,020)	(409,181)	32,342
- sales in advance	(686)	63,502	(8,835)
- receivables	-	-	-
- payables	(116,751)	161,531	83,357
- derivatives	-	-	(15,556)
- provisions and others	30,792	(4,149)	(36,135)
	-	-	2,699
Charged to statement of other comprehensive income	-	-	(9,099)
Disposal of subsidiaries	-	(4,150)	-
At end of financial year	734,085	734,085	738,235

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13. Deferred tax assets (cont'd.)

The movements in the deferred tax assets and liabilities of the Group during the financial year are as follows: (cont'd.)

	2023 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets (before offsetting)			
Unabsorbed capital allowances	449,068	186,586	-
Unabsorbed investment tax allowances	80,110	258,130	667,311
Sales in advance	194,182	194,868	131,366
Provisions and others	30,791	-	4,149
	754,151	639,584	802,826
Offsetting	(20,066)	94,501	(64,591)
Deferred tax assets (after offsetting)	734,085	734,085	738,235
Deferred tax liabilities (before offsetting)			
Property, plant and equipment	(20,066)	(22,250)	(23,961)
Payables	-	116,751	(40,630)
	(20,066)	94,501	(64,591)
Offsetting	20,066	(94,501)	64,591
Deferred tax liabilities (after offsetting)	-	-	-

Deferred tax has not been recognised for the following items:

	2023 RM'000	2022 RM'000	2021 RM'000
Provisions and others	512,668	1,392,420	111,101
Unabsorbed capital allowances	1,871,116	1,519,868	1,721,543
Unutilised tax losses	2,120,448	1,347,602	1,347,602
Unutilised investment tax allowances	4,729,037	4,729,037	4,729,037
	9,233,269	8,988,927	7,909,283

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13. Deferred tax assets (cont'd.)

Pursuant to Section 44(5F) of the Income Tax Act 1967 ("the Act"), the unused tax losses can be carried forward until the following year of assessment:

	2023 RM'000	2022 RM'000	2021 RM'000
Unused tax losses can be carried forward until:			
Year of assessment 2030	857,743	857,743	857,743
Year of assessment 2031	453,174	453,174	489,859
Year of assessment 2032	729,037	36,685	-
Year of assessment 2033	80,494	-	-
	2,120,448	1,347,602	1,347,602

As disclosed in Note 3.3, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

Based on the tax rules enacted from Malaysia Finance Act 2021, the time limit for the carry forward of the unutilised tax losses has been extended from 7 years to 10 years. As a result of this change, the unutilised tax losses accumulated up to the YA 2018 are allowed to be carried forward for 10 consecutive years of assessment (i.e. from YA 2019 to 2028) and any balance of the unutilised tax losses thereafter shall be disregarded.

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14. Receivables and prepayments

		2023 RM'000	2022 RM'000	2021 RM'000
Non-current:				
Other receivables	(a)	334,736	340,687	340,687
Less: Allowance for impairment		(334,736)	(340,687)	(340,687)
		-	-	-
Amount due from a related company	(b)	704,275	675,185	608,137
Prepayments	(e)	3,302,130	2,828,591	3,198,836
Deposits	(f)	245,215	363,847	103,048
Less: Allowance for impairment		-	-	(2,833)
		245,215	363,847	100,215
		4,251,620	3,867,623	3,907,188
Current:				
Trade receivables		11,434	53,341	10,512
Other receivables		216,119	358,313	268,006
Less: Allowance for impairment		(21,523)	(84,493)	(15,765)
		194,596	273,820	252,241
Amount due from associates	(d)	350	22,403	59,887
Less: Allowance for impairment		-	-	(43,255)
		350	22,403	16,632
Amount due from related companies	(c)	2,200,000	984,301	692,853
Amount due from related parties	(d)	661,511	726,691	860.207
Less: Allowance for impairment		(364,528)	(250,127)	(565,349)
		296,983	476,564	294,858
Amount due from holding company	(g)	3,803,601	-	210,709
Prepayments	(e)	568,672	68,923	196,135
Deposits	(f)	666,813	275,988	121,186
		7,742,449	2,155,340	1,795,126

(a) Included in non-current other receivables is a receivable of RM334.7 million (equivalent to IDR1.187 billion) arising from the disposal of a perpetual capital security which has been fully impaired in the previous financial year.

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14. Receivables and prepayments (cont'd.)

(b) The non-current amount due from a related company represents a loan to PAA, which is unsecured and bears interest at 6% per annum.

(c) In connection with the proposal to dispose the Group to AirAsia X Berhad as disclosed in Note 31, it is planned that the entire of the amount will be novated to CAB.

(d) The other amounts due from related parties and associates are unsecured, non-interest bearing and have no fixed repayment terms.

(e) Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider for the upcoming services being scheduled more than 1 year.

(f) Deposits of the Group at the reporting date are primarily with airports and aviation authorities.

(g) In 2023, the Group sold its proprietary rights to the "AirAsia" brand to its holding company for a consideration of RM4.5 billion. As disclosed in Note 31, subsequent to AirAsia X Berhad ("AAX") acquiring the Company for a cash consideration of RM3,800,000,000, the Company intends to novate this amount due from CAB to AAX, which will be used to offset against the amount due to CAB for the acquisition of the Company. The transaction is expected to be completed within 12 months from the date of this report.

Movements of the expected credit losses of trade and other receivables are as follows:

	2023 RM'000	**2022 RM'000**	**2021 RM'000**
At 1 January	675,307	967,889	955,259
Impairment (Note 6)	120,545	67,853	16,097
Reversal (Note 6)	(45,328)	-	-
Write off	(31,413)	(362,476)	-
Exchange differences	1,676	2,041	(3,467)
At 31 December	720,787	675,307	967,889

The ageing analysis of trade receivables is as follows:

	2023 RM'000	**2022 RM'000**	**2021 RM'000**
Current	11,197	39,886	426
1 to 90 days	236	8,177	7,614
91 to 120 days	-	5,183	246
121 to 180 days	1	1	492
181 to 365 days	-	94	1,734
Past due but not impaired	237	13,455	10,086
	11,434	53,341	10,512

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14. Receivables and prepayments (cont'd.)

Impairment of trade receivables are recognised based on the simplified approach. Impairment is recognised against trade receivables over their credit period based on estimated amounts determined by reference to past default experience of the counterparty and and analysis of the counterparty's current financial position.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

15. Deposits on aircraft purchase

Deposits on aircraft purchases represent refundable deposits paid for aircraft to be delivered to the Group. These deposits are denominated in US Dollars.

16. Derivative financial instruments

	2022		2021	
	Assets RM'000	**Liabilities RM'000**	**Assets RM'000**	**Liabilities RM'000**
Non-current				
Interest rate swaps				
- held for trading	-	-	-	32,785

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting.

The Group recognised a gain of RM45.0 million in 2022 and RM32.0 million in 2021 arising from termination of the derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate, changes in yield curve. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 29(e).

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16. Derivative financial instruments (cont'd.)

	2022		2021	
	Notional amount RM'000	**Fair value RM'000**	**Notional amount RM'000**	**Fair value RM'000**
Interest rate swaps	-	-	688,280	(32,785)

(i) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2023 were Nil (2022: Nil; 2021: RM688.2 million).

17. Inventories

	2023 RM'000	**2022 RM'000**	**2021 RM'000**
At cost			
Consumables, in-flight merchandise and others	18,757	8,484	9,739

Amount of the inventories recognised in operating expenses of the Group was RM218.0 million (2022: RM112.0 million and 2021: RM1.9 million).

18. Deposits, cash and bank balances

	2023 RM'000	**2022 RM'000**	**2021 RM'000**
Deposits with licensed banks	53,611	10,122	8,389
Cash and bank balances	114,880	188,341	419,585
Deposits, cash and bank balances	168,491	198,463	427,974
Deposits with licensed banks with maturity period of more than 3 months	(9,802)	(1,085)	(1,261)
Deposits pledged as securities and restricted cash	(28,579)	(10,116)	(7,128)
Cash and cash equivalents	130,110	187,262	419,585

18. Deposits, cash and bank balances (cont'd.)

The currency profile of deposits, cash and bank balances are as follows:

	Group		
	2023 RM'000	**2022 RM'000**	**2021 RM'000**
Ringgit Malaysia	94,016	43,224	385,187
US Dollar	24,646	70,771	25,676
Chinese Renminbi	5,212	18,171	4,454
Others	44,617	66,297	12,657
	168,491	198,463	427,974

Short-term deposits are placed for varying period of twelve months for both financial years 2023 and 2022 (2021: varying periods of eight days and twelve months) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The weighted average effective annual interest rates of deposits at the reporting dates are as follows:

	2023 %	**2022 %**	**2021 %**
Deposits with licensed banks	2.88	1.97	1.71

19. Trade and other payables and sales in advance

(a) Trade and other payables

	2023 RM'000	**2022 RM'000**	**2021 RM'000**
Non-current:			
Other payables	802,108	821,539	394,515
Current:			
Trade payables	806,922	394,916	818,971
Amount due to associates	779	250,678	1,319
Amount due to related companies	859,931	37,872	11,967
Amount due to related parties	409,990	163,630	90,967
Amount due to holding company	11,922	372,443	-
Accrual for fuel	104,773	86,542	54,971
Other payables and accruals	675,867	311,959	788,309
	2,870,184	1,618,040	1,766,504
Total trade and other payables	3,672,292	2,439,579	2,161,019

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

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19. Trade and other payables and sales in advance (cont'd.)

The amount due to associates relates to amounts owing to TAA which is an associate company of the Group at CAB level in FY2022.

The amounts due to associates and related parties are unsecured, interest free and payable on demand.

The amount due to holding company, CAB, is unsecured and repayable on demand. The carrying amount includes advances owing to the holding company from the RCUIDS issued, amounting to RM822,995,848 which bear interest at 9% and is repayable in demand. This amount has been set off against other transactions with the holding company during the financial year.

(b) Sales in advance

	2023 RM'000	2022 RM'000	2021 RM'000
Current	809,091	810,937	547,690

Sales in advance represents the deferred revenue account triggered upon booking by customers. Amount includes ticket fare, seat fees, baggage fees, inflight meals, merchandise, admin fees, service fees and airport fees. Revenue will only be recognised upon flown, specifically upon closing flight status.

20. Aircraft maintenance provisions and liabilities

	2023 RM'000	2022 RM'000	2021 RM'000
Aircraft maintenance provisions (i)	3,949,299	3,938,433	3,874,241
Aircraft maintenance reserve fund (ii)	1,735,389	1,555,893	1,568,503
	5,684,688	5,494,326	5,442,744
Disclosed as			
Non-current	4,808,533	4,518,073	4,427,352
Current	876,155	976,253	1,015,392
	5,684,688	5,494,326	5,442,744

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

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20. Aircraft maintenance provisions and liabilities (cont'd.)

The movements in the aircraft maintenance provisions of the Group during the financial year are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
At beginning of year	3,938,433	3,874,241	3,663,928
Arose during the year	500,822	84,715	235,147
Utilised	(505,707)	(36,971)	(35,867)
Exchange movements	15,751	16,448	11,033
At end of year	3,949,299	3,938,433	3,874,241

(ii) Aircraft maintenance reserve funds relate to payments made by the lessee, PAA, IAA and TAA for maintenance activities to be undertaken during the lease period. The Group will reimburse the lessee for agreed maintenance work done as and when incurred. The Group records the amounts received as maintenance reserve funds. At the expiry of the lease term, any excess maintenance reserve is recognised in the profit and loss account.

21. Borrowings

		2023 RM'000	2022 RM'000	2021 RM'000
Current				
Revolving credit	(ii)	7,000	23,760	76,010
Term loans	(i)	140,024	52,941	147,464
Swap creditors loan and deferral	(iii)	-	-	219,896
		147,024	76,701	443,370
Non-current				
Term loans	(i)	1,538,559	1,017,194	510,128
Other facility	(iv)	494,239	447,789	-
		2,032,798	1,464,983	510,128
Total borrowings		2,179,822	1,541,684	953,498

(i) The Group's term loan facilities comprise a RM634 million facility from financial institutions obtained in 2023, a RM330.7 million (equivalent to USD75 million) from a non-financial institution obtained in 2022 and a working capital loan from a non-financial institution amounting to RM626.7 million (equivalent to USD150 million) obtained in 2021.

(ii) The revolving credit is for working capital purposes.

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21. Borrowings (cont'd.)

(iii) In 2021, the Group unwound and restructured its exposure in hedges through financing the commodity hedging contracts settlement either via deferral installment payments or conversion into working capital loan. All derivative contracts were terminated by the end of 2022.

(iv) In 2023, the Group secured an additional Predelivery Payment ("PDP") financing of RM46 million (equivalent to USD10 million) from a non-financial institution.

In 2022, the Group secured a Predelivery Payment ("PDP") financing at a net borrowing amount of RM452.1 million (equivalent to USD102.5 million) from a non-financial institution.

The borrowings are secured by the intellectual property of the "AirAsia" brand, certain proprierty, plant and equipment of the Group, shares in a related company, assignment of rights to take delivery of aircrafts and is guaranteed by the holding Company. The Group sold its proprietary rights to the "AirAsia" brand in 2023 to a related company for a consideration of RM4.5 billion.

	2023 %	2022 %	2021 %
Weighted average interest rate			
Term loans	11.05%	11.97%	9.67%
Revolving credit	7.00%	4.98%	4.24%
Swap creditors loan	-	-	5.87%
Other facilities	10.47%	6.16%	-

The borrowings are repayable as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Not later than 1 year	147,024	76,701	443,370
Later than 1 year and not later than 5 years	2,032,798	775,982	64,831
Later than 5 years	-	689,001	445,297
	2,179,822	1,541,684	953,498

Total borrowings as at reporting date consist of the following banking facilities:

	2023 RM'000	2022 RM'000	2021 RM'000
Fixed rate borrowings	1,073,521	1,093,895	849,048
Floating rate borrowings	1,106,301	447,789	104,450
	2,179,822	1,541,684	953,498

21. Borrowings (cont'd.)

The carrying amounts and fair values of the fixed rate borrowings are as follows:

	2023 Carrying amount RM'000	2023 Fair value RM'000
Term loans	1,066,521	1,057,247
Revolving credit	7,000	7,000
	1,073,521	1,064,247

	2022 Carrying amount RM'000	2022 Fair value RM'000
Term loans	1,070,135	1,055,943
Revolving credit	23,760	23,760
	1,093,895	1,079,703

	2021 Carrying amount RM'000	2021 Fair value RM'000
Term loans	553,142	551,412
Revolving credit	76,010	76,010
Swap creditors loan and deferral	219,896	219,896
	849,048	847,318

The fair values of the floating rate borrowings approximate their carrying amounts.

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's credit risk at the reporting date, at 7.00% to 9.50% (2022: 6.00% to 9.50%; 2021: 6.00% to 11.75%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

22. Leases

Group as a lessee

The Group leases various aircraft, spare engines and land and building. Leases of aircraft and spare engines have a lease term of 2 to 19 years (2022 and 2021: 2 to 19 years) whilst land and building generally have a lease term of 2 to 20 years (2022: 2 to 20 years; 2021: 2 to 20 years).

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22. Leases (cont'd.)

Group as a lessee (cont'd.)

The Group also has certain leases of property, plant and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of ROU assets recognised and the movements during the year:

		Aircraft and spare engines RM'000	Land and building RM'000	Total RM'000
As at 1 January 2023		7,760,862	33,683	7,794,545
Additions		460,121	-	460,121
Modifications		(192,728)	-	(192,728)
Termination	(a)	(378,605)	-	(378,605)
Depreciation		(933,813)	(10,552)	(944,365)
Exchange movements		29,579	-	29,579
As at 31 December 2023		6,745,416	23,131	6,768,547
As at 1 January 2022		8,144,325	45,271	8,189,596
Additions		129,768	-	129,768
Modifications		10,970	-	10,970
Depreciation		(947,172)	(11,588)	(958,760)
Reversal of impairment (Note 6)		406,053	-	406,053
Exchange movements		16,918	-	16,918
As at 31 December 2022		7,760,862	33,683	7,794,545
As at 1 January 2021		7,684,306	28,810	7,713,116
Additions		807,158	31,848	839,006
Modifications		849,793	-	849,793
Depreciation		(1,195,664)	(15,387)	(1,211,051)
Exchange movements		(1,268)	-	(1,268)
As at 31 December 2021		8,144,325	45,271	8,189,596

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

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22. Leases (cont'd.)

Group as a lessee (cont'd.)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2023 RM'000	2022 RM'000	2021 RM'000
As at 1 January	13,207,438	12,095,940	10,595,099
Additions	1,031,470	409,719	289,267
Accretion of interest	626,516	615,757	573,092
Payments	(1,788,346)	(1,256,577)	(426,984)
Modifications	502,746	708,374	647,428
Exchange movements	523,646	634,225	418,038
As at 31 December	14,103,470	13,207,438	12,095,940
Current	3,459,872	3,220,900	2,719,725
Non-current	10,643,598	9,986,538	9,376,215
	14,103,470	13,207,438	12,095,940

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

The following are the amounts recognised in profit or loss:

	2023 RM'000	2022 RM'000	2021 RM'000
Depreciation of right-of-use assets	944,365	958,760	1,211,051
Interest expense on lease liabilities	626,516	615,757	573,092
Expense relating to short-term leases	126,110	116,602	-
Reversal of impairment of right-of-use assets	-	(406,053)	-
Reversal of impairment of finance lease receivables (Note 6)	-	(48,734)	-
Gain/(loss) on lease modifications	(87,185)	316,987	(210,813)
Total amount recognised in profit or loss	1,609,806	1,553,319	1,573,330

The Group had total cash outflows for leases of RM1,788.3 million in 2023, RM1,256.6 million in 2022 and RM427.0 million in 2021. Included in lease liabilities are overdue lease rental payables during the year amounting to approximately RM1,403.0 million in 2023, RM1,666.9 million in 2022 and RM1,570.9 million in 2021.

Modifications represent change in lease terms and consideration of aircraft lease agreements from certain lessors. These modifications are negotiated by the Group to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

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22. Leases (cont'd.)

Group as a lessee (cont'd.)

Reversal of impairment on right-of-use assets

In the financial year 2022, the Group reversed impairment loss of amounting to RM406 million on certain right-of-use assets with the recovery of the COVID-19 pandemic. This was recognised in the income statement as other operating income.

The recoverable amount was based on value in use as at 31 December 2021, 31 December 2022 and 31 December 2023, and determined at the level of the CGU of the Group representing the airline business. The recoverable amount of the CGU has been measured based on cash flow projections approved by the management. The airline CGU comprise right-of-use assets and aircraft related property, plant and equipment.

The discount rate applied to the cash flow projections averaged from 13.5% (2022: 10.5%, 2021: 9%). The assumptions used to determine the recoverable amounts include revenue per passenger, load factor, fuel cost, passengers charges and growth rate which may change significantly depending on the recovery of the aviation industry aviation industry in Malaysia, regionally and internationally.

Group as a lessor - finance lease

The Group has classified most of its aircraft subleases as finance leases because the sublease is for the whole of the remaining term of the head lease. During the financial year, the movement on the finance lease receivables are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
As at 1 January	2,171,771	1,269,587	1,698,983
New leases entered into during the financial year	1,040,042	458,369	-
Modification	782,659	380,417	8,448
Lease payments received during the financial year	(917,335)	(118,178)	(350,579)
Finance income (Note 8(a))	225,057	53,849	45,230
Reversal Impairment of finance lease receivables (Note 6)	-	48,734	-
Exchange movements	480,852	78,993	(132,495)
As at 31 December	3,783,046	2,171,771	1,269,587
Current	780,452	397,269	545,418
Non-current	3,002,594	1,774,502	724,169
	3,783,046	2,171,771	1,269,587

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22. Leases (cont'd.)

Group as a lessor - finance lease (cont'd.)

Lease income from lease contracts in which the Group acts as a lessor:

	2023 RM'000	2022 RM'000	2021 RM'000
Finance lease			
- Finance income on the finance lease receivables	225,057	53,849	45,230
Operating lease			
- Aircraft operating lease income	179,361	304,819	247,934

23. Share capital and capital contribution

23.1 Share capital

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets.

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23. Share capital and capital contribution (cont'd.)

23.2 Capital contribution

Capital contribution relates to ESOS granted by the holding company to certain eligible employees of the Group.

24. Share-based payments

Long Term Incentive Scheme ("LTIS")

On 2 August 2021, the holding company, CAB implemented a LTIS comprising an Employee Share Option Scheme ("ESOS") and a Share Grant Scheme. The establishment of the LTIS, which involves up to 10% of the total number of issued shares of the holding company at any point in time throughout the duration of the LTIS, is for the employees and directors of the Group who are eligible in accordance with the By-Laws governing the LTIS. The LTIS is administered by a committee appointed and duly authorised by the Board in accordance with the By-Laws.

The LTIS will be in force for a period of six (6) years commencing from 2 August 2021 and may be extended for a further period of up to 4 years immediately from the expiry of the first six years.

Employee share option scheme "ESOS"

On 3 August 2021, the holding company granted 159,400,000 share options ("ESOS") pursuant to the LTIS to selected eligible employees and directors of the Group. The ESOS will be vested on a 3 year-cliff vesting, i.e. 100% will be vested on 31 August 2024, subject to the holding company's share price performance. Employees must remain in service for a period of 3 years from the date of grant up to vesting date. The fair value of the ESOS is estimated at the date of grant using a Monte-Carlo simulation model blended with Black-Scholes model, taking into account the terms and conditions on which the ESOS were granted. The model simulates the share price and takes into account historical and expected dividends, risk-free rate, and the share price volatility of the holding company so as to predict the share performance.

The exercise price of the ESOS is RM0.74 which is equal to the 5-day Volume-weighted average market price ("VWAP") of the shares immediately preceding the date of the ESOS award, with a discount of not more than ten per cent (10%). The vesting period and exercise period of the ESOS will be limited to the duration that the LTIS is in force. There is no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

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24. Share-based payments (cont'd.)

The expense recognised for employee services received during the year are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Expense arising from equity-settled share-based payment transactions	2,409	2,479	1,033

There were no cancellations or modifications to the award in 2022 and 2021.

Movements during the year

The following table illustrates the number of, and movements in, ESOS during the year.

	2023 '000	2022 '000	2021 '000
Outstanding at 1 January	16,100	27,100	-
Granted during the year	-	-	27,100
Forfeited during the year	(6,000)	(3,800)	-
Other movements	(700)	(7,200)	-
Outstanding at 31 December	9,400	16,100	27,100

The fair value of options granted during the year was RM0.282. The exercise price for ESOS outstanding at the end of the year was RM0.7425.

The following table list the inputs to the model used for the ESOS for the year ended 31 December 2023:

	Share options granted on 3 Aug 2021
Fair value at the measurement date (RM)	0.282
Expected volatility (%)	53.874
Risk-free interest rate per annum (%)	2.242
Expected life of ESOS (years)	6
Model used	Monte-Carlo blended with Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

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25. Other reserves

	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2023	-	(64,689)	(64,689)
Net change in fair value	-	74,195	74,195
At 31 December 2023	-	9,506	9,506
At 1 January 2022	-	(60,121)	(60,121)
Net change in fair value	-	(4,568)	(4,568)
At 31 December 2022	-	(64,689)	(64,689)
At 1 January 2021	(28,815)	(54,413)	(83,228)
Net change in fair value	37,914	(5,708)	32,206
Deferred tax recognised in other comprehensive income	(9,099)	-	(9,099)
At 31 December 2021	-	(60,121)	(60,121)

26. Commitments

Capital commitments not provided for in the financial statements are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment:			
- Approved and contracted for	107,089,416	102,608,980	97,163,376

The approved and contracted for capital commitments for the Group are in respect of aircraft purchase. The future commitments of aircraft purchase are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Later than 1 year and not later than 5 years	12,122,544	12,908,493	7,688,395
Later than 5 years	94,966,872	89,700,487	89,474,981
	107,089,416	102,608,980	97,163,376

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27. Significant related companies and related parties transactions

In addition to the related companies and related parties disclosures mentioned elsewhere in the financial statements, set out below are other significant related companies and related parties disclosures.

Entities listed under investment in associates are considered as related parties. Further, the following party with common shareholders and/or directors are also considered related parties for disclosure purposes.

(i) AirAsia X Berhad
(ii) Tune Insurance Malaysia Berhad
(iii) Queens Park Rangers Holdings Ltd
(iv) Thai AirAsia X Co. Ltd
(v) PT Indonesia AirAsia Extra
(vi) Tune Money International Sdn Bhd

All related companies and related parties transactions were carried out on agreed terms and conditions.

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group.

Related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

	2023 RM'000	2022 RM'000	2021 RM'000
(a) Income:			
Aircraft operating and finance lease income for leased aircraft			
- PT Indonesia AirAsia	34,834	63,580	44,371
- AirAsia Inc (Including Philippines AirAsia Inc)		303	83
- Thai AirAsia X Co. Ltd	100,572	204,447	175,793
- AirAsia (India) Limited	-	-	273
- Teleport Everywhere Pte Ltd	43,955	8,467	886
Brand License Fee			
- AirAsia X Berhad	2,919	5,389	-
- Thai AirAsia X Co. Ltd	10,126	4,180	-
- Philippines AirAsia Inc	94	27,456	-
- Thai AirAsia X Co. Ltd	25,786	-	-

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

	2023 RM'000	2022 RM'000	2021 RM'000
(a) Income: (cont'd.)			
Support service fees charged to related parties for provision of support services	1,234	1,797	50,800
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	28,319	15,429	1,230
(b) Other income/(expenses):			
Maintenance reserve fund charged to			
- PT Indonesia AirAsia	35,780	34,554	33,093
- AirAsia Inc (Including Philippines AirAsia Inc)	54,959	1,929	2,931
- Thai AirAsia Co. Ltd	257,507	120,151	46,166
- AirAsia (India) Limited	-	13,967	3,253
Gain on disposal of brand to			
- Capital A Berhad	4,500,000	-	-
Interest charges to			
- AirAsia Inc (Including Philippines AirAsia Inc)	39,283	37,942	35,673
- Ground Team Red Sdn Bhd	829	459	244
Interest on RCUIDS charged by Capital A Berhad	(55,821)	(55,821)	-
Management fees charged by:			
- AASEA Sdn Bhd	(41,888)	(93,023)	(64,186)
- AirAsia Aviation Management Services Sdn Bhd	(22,593)	-	-

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

	2023 RM'000	2022 RM'000	2021 RM'000
(c) Other income/(expenses): (cont'd.)			
Commission charged by			
- AirAsia Com Travel Sdn Bhd	(177,751)	(114,842)	(18,152)
Service fee charged by			
- Asia Digital Engineering Sdn Bhd	(135,498)	(123,492)	(90,674)
Brand license cost charged by			
- AirAsia Aviation Group Limited	30,538	-	-

28. Financial instruments

	Measured at amortised costs RM'000	Measured at FVOCI RM'000	Total RM'000
31 December 2021			
Financial assets as per statements of financial position			
Investment securities (Note 12)	-	37,220	37,220
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 14)	2,083,109	-	2,083,109
Deposits, cash and bank balances (Note 18)	427,974	-	427,974
Finance lease receivables (Note 22)	1,269,587	-	1,269,587
Total	3,780,670	37,220	3,817,890

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28. Financial instruments (cont'd.)

	Liabilities at FVTPL RM'000	Other financial liabilities RM'000	Total RM'000
31 December 2021			
Financial liabilities as per statements of financial position			
Borrowings (Note 21)	-	953,498	953,498
Derivative financial instruments (Note 16)	32,785	-	32,785
Trade and other payables (Note 19)	-	2,161,019	2,161,019
Lease liabilities (Note 22)	-	12,095,940	12,095,940
Total	32,785	15,210,457	15,243,242

	Measured at amortised costs RM'000	Measured at FVOCI RM'000	Total RM'000
31 December 2022			
Financial assets as per statements of financial position			
Investment securities (Note 12)	-	32,652	32,652
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 14)	2,485,614	-	2,485,614
Deposits, cash and bank balances (Note 18)	198,463	-	198,463
Finance lease receivables (Note 22)	2,171,771	-	2,171,771
Total	4,855,848	32,652	4,888,500

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28. Financial instruments (cont'd.)

	Other financial liabilities RM'000	Total RM'000
31 December 2022		
Financial liabilities as per statements of financial position		
Borrowings (Note 21)	1,541,684	1,541,684
Trade and other payables (Note 19)	2,439,579	2,439,579
Lease liabilities (Note 22)	13,207,438	13,207,438
Total	17,188,701	17,188,701

	Measured at amortised costs RM'000	Measured at FVOCI RM'000	Total RM'000
31 December 2023			
Financial assets as per statements of financial position			
Investment securities (Note 12)	-	106,847	106,847
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 14)	7,211,239	-	7,211,239
Deposits, cash and bank balances (Note 18)	168,491	-	168,491
Finance lease receivables (Note 22)	3,783,046	-	3,783,046
Total	11,162,776	106,847	11,269,623

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28. Financial instruments (cont'd.)

	Other financial liabilities RM'000	Total RM'000
31 December 2023		
Financial liabilities as per statements of financial position		
Borrowings (Note 21)	2,179,822	2,179,822
Trade and other payables (Note 19)	3,672,292	3,672,292
Lease liabilities (Note 22)	14,103,470	14,103,470
Total	19,955,584	19,955,584

29. Financial risk management policies

The Group is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Financial risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks.

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29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(a) Market risk (cont'd.)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

(i) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

The Group manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 16).

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29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(a) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

If interest rate on USD denominated borrowings at 31 December 2023, 31 December 2022 and 31 December 2021 had been 60 basis points higher or lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase or decrease in the the interest expense on floating rate borrowings are tabulated below. The impact on post-tax profits are as follow.

		2023 RM'000	2022 RM'000	2021 RM'000
Impact on post tax profits	**+60bps**	10,871	7,811	3,023
	-60bps	(10,871)	(7,811)	(3,023)

Impact on other

The remaining terms of the outstanding interest rate derivative contracts of the Group at reporting date, which are all denominated in USD, are as follows:

	2023 RM'000	2022 RM'000	2021 RM'000
Later than 5 years:			
Interest rate swaps	-	-	688,280

(ii) Foreign currency risk

The Group is exposed to foreign currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

As at 31 December 2023, 2022 and 2021, the Group has not hedged any of its USD denominated borrowings.

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29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(a) Market risk (cont'd.)

(ii) Foreign currency risk (cont'd.)

	2023 RM'000	2022 RM'000	2021 RM'000
USD/ MYR			
- strengthened 10%	20,434	(18,740)	(36,231)
- weakened 10%	(20,434)	18,740	36,231

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash and cash equivalents and other financial assets.

The Group's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables, deposits on aircraft purchase and derivative financial instruments. As the Group does not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet. Prepayment for engine maintenance to the service provider are also deemed by the Group as having credit risk in the event counterparties do not fulfill the obligation.

The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments. The Group generally has no concentration of credit risk arising from trade receivables.

(c) Liquidity and cash flow risk

The Group's policy on liquidity risk management is to maintain sufficient cash and cash equivalents and to have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

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29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows: (cont'd.)

(c) Liquidity and cash flow risk (cont'd.)

The table below analyses the Group's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2021				
Term loans	157,000	270,276	474,800	29,000
Revolving credit	77,000	-	-	-
Swap creditors loan	220,000	-	-	-
Trade and other payables (Note 19)	1,766,504	394,515	-	-
Lease liabilities	3,182,917	1,393,990	4,244,597	5,442,660
	5,403,421	2,058,781	4,719,397	5,471,660
Net-settled derivatives				
Trading	-	-	-	32,785
At 31 December 2022				
Term loans	52,941	909,386	491,856	-
Revolving credit	23,760	-	-	-
Other facilities	-	417,848	29,941	-
Trade and other payables (Note 19)	1,618,040	821,539	-	-
Lease liabilities	3,271,395	1,458,410	5,056,577	5,733,684
	4,966,136	3,607,183	5,578,374	5,733,684

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29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(c) Liquidity and cash flow risk (cont'd.)

	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2023				
Term loans	96,898	1,024,793	1,031,191	-
Revolving credit	7,000	-	-	-
Other facilities	-	494,239	-	-
Trade and other payables (Note 19)	2,870,184	802,108	-	-
Lease liabilities	3,468,912	1,995,700	5,987,101	5,495,034
	6,442,994	4,316,840	7,018,292	5,495,034

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

The Group's overall strategy remains unchanged from 2021, 2022 and 2023.

Consistent with others in the industry, the Group monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's balance sheet) add lease liabilities less deposit, cash and bank balances.

29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(d) Capital management (cont'd.)

The net gearing ratio as at 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	2023 **RM'000**	**2022** **RM'000**	**2021** **RM'000**
Total borrowings (Note 21)	2,179,822	1,541,684	953,498
Lease liabilities (Note 22)	14,103,470	13,207,438	12,095,940
Less: Deposit, cash and bank balances (Note 18)	(168,491)	(198,463)	(427,974)
Net debts	16,114,801	14,550,659	12,621,464
Total equity	(1,504,694)	(5,208,655)	(3,460,239)
Net Gearing Ratio (times)	N/A	N/A	N/A

In the prior financial year, the Group's operations were significantly affected by the COVID-19 pandemic which led to operating losses. The Group has been relying on debt compared to its equity to finance the Group's operations which resulted in a negative net gearing ratio.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023.

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(e) Fair value measurement (cont'd.)

Determination of fair value and fair value hierarchy

The Group's financial instruments are measured in the statement of financial position at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2023				
Assets				
Investment securities	106,725	-	122	106,847

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29. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(e) Fair value measurement (cont'd.)

The following table presents the Group's assets and liabilities that are measured at fair value. (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2022				
Assets				
Investment securities	32,530	-	122	32,652
31 December 2021				
Assets				
Investment securities	37,098	-	122	37,220
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	32,785	-	32,785

There is no transfer from Level 1, 2 and 3 during the period.

For fair value measurements categorised within Level 2 and 3 of the fair value hierarchy, the fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors.

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30. Significant event

(i) Outright sale of (1) aircraft spare engine and sale and leaseback of (1) aircraft spare engine

On 18 January 2021, the Group's Board approved the outright sale and sale and leaseback transactions of one (1) A320 neo aircraft spare engine and one (1) A320 ceo aircraft spare engine respectively via AAC to ST Engineering Aerospace Supplies Pte. Ltd.. Pursuant to this, the Group disposed the two (2) aircraft spare engines to AAC for a disposal consideration of USD17.65 million (equivalent to RM71.5 million). These transactions were completed on 22 March 2021.

(ii) Disposal of property, plant and equipment and inventories to ADE

On 27 December 2021, the Group disposed certain property, plant and equipment and inventories to ADE at net book value for a total consideration of RM247 million. The disposal of property, plant and equipment comprise aircraft spares, building and office equipment, furniture and fittings amounting to RM99 million (net of impairment), RM47 million and RM3 million respectively while the disposal of inventories comprise consumables of RM98 million.

(iii) Cybersecurity attack

On 12 November 2022, a cybersecurity breach incident was discovered on some of the Group's redundant and non-critical servers. Although the systems affected were not critical, the Group has taken the necessary measures to resolve and prevent this incident from reoccurring. There were no operational impact arising from this incident.

Further, the Group has duly notified and cooperated with the relevant supervisory authorities upon being aware of the cyber breach. The Group has taken the relevant steps to mitigate the impact of the breach including implementing additional measures to prevent similar incidence in the future. To the best of the Group's knowledge and as at the date of this report, the Group has not been made aware of any pending litigation or claims against the Group relating to the incident.

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30. Significant event (cont'd.)

(iv) Sale and leaseback transaction of up to twelve (12) A321Neo Aircraft and advance payment amounting to USD75 million ("Transaction")

On 14 February 2022, the Group's board approved the Transaction with Avolon Aerospace Leasing Limited ("Avolon"). Pursuant to this, the Group and Avolon entered into an advance payment agreement in relation to twelve (12) A321Neo Aircraft to be assigned and scheduled to be delivered from the third quarter of 2024 through the second quarter of 2025. In May 2022, the Group received the advance payment of USD75 million from Avolon.

31. Subsequent Event

(i) The holding company, Capital A Berhad had on 25 April 2024 entered into the following:

(a) a conditional share sale and purchase agreement with AAG for the 100% equity interest in the Company, for a cash consideration of RM3,800,000,000. The Company intends to novate this amount due from CAB to AAX, which will be used to offset against the amount due to CAB for the acquisition of the Company. The transaction is expected to be completed within 12 months from the date of this report. Subsequently the conditional share sale and purchase agreement with AAG was novated to AAX.

32. Other matters

Litigations involving the Group and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

In prior years, the Group, received a Writ of Summons and Statement of Claim ("Claim") dated 10 December 2018 and on 31 January 2019, Malaysia Airports (Sepang) Sdn Bhd ("MASSB") filed claims at the High Court of Malaya at Kuala Lumpur, claiming the additional RM23 per Passenger Services Charges ("PSC") which the Group was required to collect effective 1 July 2018.

On 18 July 2019, the Kuala Lumpur High Court, inter alia, allowed MASSB's application for summary judgment against the Group and ordered the Group to pay MASSB:

(a) RM9,395,856.50 in outstanding PSC and RM90,055.50 in outstanding Late Payment Charges ("LPC") for Suit 816; and

(b) RM4,614,329.00 in outstanding PSC and RM40.577.47 in outstanding LPC for Suit 58.

On 22 July 2019, the Group filed appeals in the Court of Appeal against the aforesaid High Court decision.

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32. Other matters (cont'd.)

Litigations involving the Group and Malaysia Airports (Sepang) Sdn Bhd ("MASSB") (cont'd.)

On 18 September 2019, the Group paid a sum of RM14 million (being the amounts specified in the Garnishee Show Cause Orders dated 23 August 2019) to MASSB to defray the garnishee execution proceedings. The payment was made by the Group without prejudice to the Group's rights, including the Group's rights in the appeals made in relation to the judgement order dated 18 July 2019 and any connected interlocutory applications.

On 2 October 2019, the Group filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a sum of RM479.8 million, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

Following to above, on 22 January 2021, MASSB filed a supplementary affidavit in an attempt to adduce fresh evidence in these appeals. On 5 February 2021, the Group filed motions to adduce fresh evidence in these appeals. In view of these developments, the hearing proper of the appeals were adjourned, pending the disposal of the Group's motions to adduce fresh evidence and MASSB's supplementary affidavits.

On 24 March 2021, the Court of Appeal allowed the Group's motions to adduce fresh evidence and Supplementary Records of Appeal consisting of the fresh evidence were filed on 5 April 2021 and served on 6 April 2021 .

On 14 April 2021 , the Court of Appeal gave directions for the filing of written submissions and fixed the appeals for:-

(a) e-Review case management on 12 January 2022; and

(b) e-appellate hearing by Zoom on 27 January 2022.

The appeals were heard on 27 January 2022.

On 3 March 2022, the Court of Appeal dismissed the Group's four (4) appeals against the High Court's two (2) summary judgments and two (2) orders dismissing the Group's application to strike out MASSB's claim for outstanding Passenger Service Charges. The appeals were dismissed with costs of RM10,000.00 for each appeal, subject to payment of allocator fee.

On 1 April 2022, the Group filed motions for leave to appeal to the Federal Court against the dismissal of the four (4) PSC Appeals on 3 March 2022 by the Court of Appeal. These applications are fixed for Case Management on 9 May 2022.

On 9 August 2022, the Group jointly agreed with MAASB to discontinue the Federal Court proceedings and the Group filed a notice of discontinuance to that effect. Accordingly, the Federal Court vacated the hearing of the application on 11 August 2022.

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32. Other matters (cont'd.)

Kuala Lumpur High Court Civil Suit No. WA-23NCvC-56-10/2019
AIRASIA BERHAD & AIRASIA X BERHAD V MALAYSIA AIRPORTS (SEPANG) SDN BHD (SY1447)

On 2 October 2019, the Group (together with AAX) filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a sum of RM479.8 million, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

The Group and AAX subsequently filed an amended statement of claim on 23 December 2019 and a reply on 26 December 2019.

The Group and AAX applied for an application to expunge an affidavit filed by MASSB ("Expungement Application") on 12 March 2021. MASSB subsequently applied to strike out the whole suit ("Striking Out Application") and also applied for further and better particulars ("FBP Application") on 30 March 2021. MASSB's FBP Application is held over pending the disposal of the Striking Out Application.

MASSB's Striking Out Application was heard on 14 February 2022. The High Court dismissed the Striking Out Application on 25 March 2022 with costs in the cause.

MASSB lodged an application for further and better particulars ("FBP Application") over the disposal of the Striking Out Application.

At the Case Management on 4 April 2022, the High Court fixed the FBP Application to be heard before the High Court Judicial Commissioner on 22 June 2022. A further case management is scheduled after the hearing takes place.

Through a series of communications between the Group, AAX and MASSB, the parties agreed to discontinue all civil suits between AirAsia and MAHB, which was effected by appropriate filings in court on 9 August 2022. Save for mutual agreement to discontinue the legal proceedings, there was no other settlement agreement entered into by the parties.

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32. Other matters (cont'd.)

Litigation involving AirAsia Digital Sdn Bhd, AirAsia Berhad and Big Pay Pte Ltd.

On 18 November 2021, an arbitration proceedings were commenced against AAD and the Company in Singapore International Arbitration Centre. The claimants are seeking for a buyout of their shares in Big Pay Pte. Ltd. for an amount to be determined. The proceedings are still at an early stage, where the parties are at the discovery stage. The solicitors are of the view that the AAD and the Group have reasonable prospects of successfully defending the claim.

33. Financial Support

CAB has indicated its intention to provide financial support to the Group to meet its liabilities and obligation as and when they fall due and to carry on its business without significant curtailment of operations.

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34. Reconciliation of liabilities arising from financing activities

		Cashflows		Non-cash movement			
	At 1.1.2023 RM'000	Drawdown RM'000	Repayments RM'000	Finance costs RM'000	Addition and modification of leases RM'000	Foreign exchange movement RM'000	At 31.12.2023 RM'000
Borrowings	1,541,684	680,274	(42,136)	178,109	-	(178,109)	2,179,822
Lease liabilities	13,207,438	-	(1,788,346)	626,516	1,534,216	523,646	14,103,470

	At 1.1.2022 RM'000	Drawdown RM'000	Repayments RM'000	Finance costs RM'000	Addition and modification of leases RM'000	Foreign exchange movement RM'000	At 31.12.2022 RM'000
Borrowings	953,498	998,528	(415,730)	152,916	-	(147,528)	1,541,684
Lease liabilities	12,095,940	-	(1,256,577)	615,757	1,118,093	634,225	13,207,438

	At 1.1.2021 RM'000	Drawdown RM'000	Repayments RM'000	Finance costs RM'000	Addition and modification of leases RM'000	Foreign exchange movement RM'000	At 31.12.2021 RM'000
Borrowings	875,452	521,060	(464,819)	69,444	-	(47,639)	953,498
Lease liabilities	10,595,099	-	(426,984)	573,092	936,695	418,038	12,095,940