PROSPECTUS

AIRASIA X BERHAD

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

INITIAL PUBLIC OFFERING ("**IPO**" OR "**OFFERING**") OF UP TO 790,123,500 ORDINARY SHARES OF RM0.15 EACH IN AIRASIA X BERHAD ("**AIRASIA X**") ("**IPO SHARES**") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ORDINARY SHARES OF RM0.15 EACH IN AIRASIA X ("**SHARES**") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING AN OFFER FOR SALE OF UP TO 197,530,900 EXISTING SHARES ("**OFFER SHARES**") AND A PUBLIC ISSUE OF 592,592,600 NEW SHARES ("**ISSUE SHARES**") COMPRISING:

(I) INSTITUTIONAL OFFERING OF UP TO 538,011,800 SHARES COMPRISING:

- UP TO 197,530,900 OFFER SHARES AND 79,740,200 ISSUE SHARES TO MALAYSIAN INSTITUTIONAL AND SELECTED INVESTORS AND FOREIGN INSTITUTIONAL AND SELECTED INVESTORS AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING ("**INSTITUTIONAL PRICE**"); AND
- 260,740,700 ISSUE SHARES TO BUMIPUTERA INSTITUTIONAL AND SELECTED INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY AT THE INSTITUTIONAL PRICE,

(II) RETAIL OFFERING OF 252,111,700 SHARES COMPRISING:

- 52,111,700 ISSUE SHARES MADE AVAILABLE TO THE ELIGIBLE PERSONS (AS DEFINED HEREIN);
- 50,000,000 ISSUE SHARES MADE AVAILABLE TO THE ELIGIBLE PASSENGERS (AS DEFINED HEREIN); AND
- 150,000,000 ISSUE SHARES MADE AVAILABLE TO THE MALAYSIAN PUBLIC,

AT THE RETAIL PRICE OF RM1.45 PER SHARE ("**RETAIL PRICE**"), PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE, IN THE EVENT THAT THE FINAL RETAIL PRICE (AS DEFINED HEREIN) IS LESS THAN THE RETAIL PRICE. THE FINAL RETAIL PRICE WILL EQUAL THE INSTITUTIONAL PRICE, SUBJECT THAT IT WILL NOT EXCEED THE RETAIL PRICE.

THE INSTITUTIONAL OFFERING AND THE RETAIL OFFERING ARE SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AND THE OVER-ALLOTMENT OPTION (AS DEFINED HEREIN).

PRINCIPAL ADVISER

CIMB

CIMB Investment Bank Berhad (Company No. 18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

JOINT GLOBAL COORDINATORS *(in alphabetical order)*

CIMB | CREDIT SUISSE | Maybank Investment Bank

JOINT BOOKRUNNERS *(in alphabetical order)*

Barclays Bank PLC (Company Reg No.: 1026167)
BNP Paribas, Singapore Branch (Company Reg No.: S71FC2142G)
CIMB Investment Bank Berhad (Company No.: 18417-M)
Citigroup Global Markets Limited (Company Reg No.: 01763297)
CLSA Singapore Pte Ltd (Company Reg No.: 198703750W)
Credit Suisse (Singapore) Limited (Company Reg No.: 197702363D)
Credit Suisse Securities (Malaysia) Sdn Bhd (Company No.: 499609-H)
Maybank Investment Bank Berhad (Company No.: 15938-H)
Morgan Stanley & Co. International plc (Company Reg No.: 02068222)
The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (Company Reg No.: S16FC0010A)

JOINT MANAGING UNDERWRITERS AND JOINT UNDERWRITERS *(in alphabetical order)*

CIMB Investment Bank Berhad (Company No.: 18417-M)
Maybank Investment Bank Berhad (Company No.: 15938-H)

JOINT MANAGING UNDERWRITERS, JOINT UNDERWRITERS AND CO-LEAD MANAGERS *(in alphabetical order)*

Kenanga Investment Bank Berhad (Company No.: 15678-H)
RHB Investment Bank Berhad (Company No.: 19663-P)

JOINT UNDERWRITERS *(in alphabetical order)*

AFFIN Investment Bank Berhad (Company No.: 9999-V)
MIDF Amanah Investment Bank Berhad (Company No.: 23878-X)

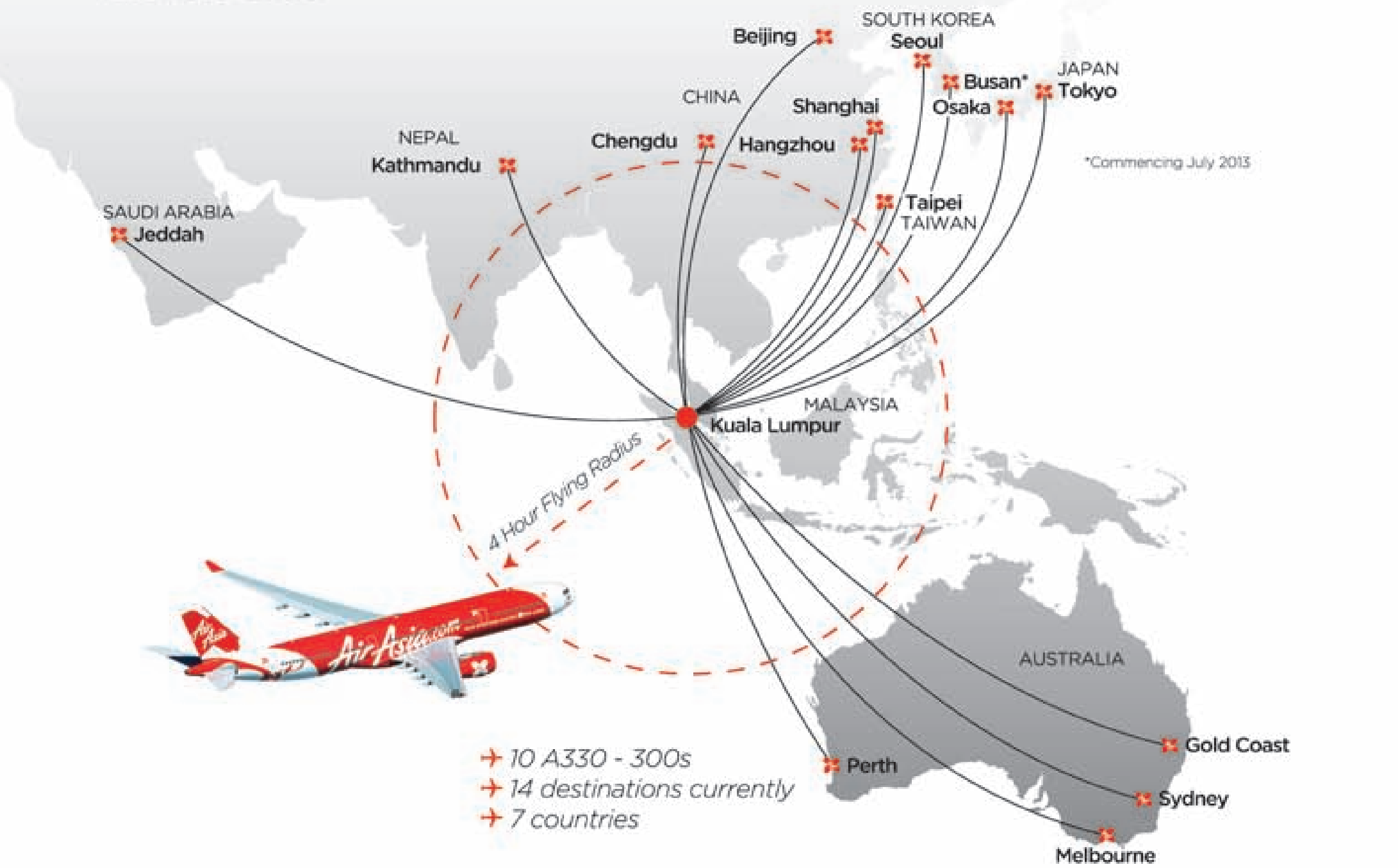
YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA
LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD
THIS PROSPECTUS IS DATED 10 JUNE 2013

The real estate properties depicted above do not belong to the AirAsia X Group.

The following pages (a) to (e) sets out a summarised overview of our principal activities, key milestones, our strengths, operational metrics, fleet plan, growth strategies, indicative timeline of our IPO and methods of application. They should be read in conjunction with the full text of the relevant sections of this Prospectus. Meanings of capitalised terms may be found in the "Definitions" and "Glossary of Technical Terms" sections of this Prospectus.

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.



/ LOW-COST, LONG-HAUL AIRLINE COVERING THE ASIA PACIFIC REGION AND MIDDLE EAST

We are a low-cost, Long-haul airline, serving 14 destinations currently across Asia, Australia and the Middle East. We currently operate a fleet of 10 A330-300s for scheduled services, representing the largest LCC wide-body aircraft seat capacity in the Asia Pacific Region. Together with the broader AirAsia Group, we are working towards creating the world's first global, multi-hub LCC network, with complementary Short-haul and Long-haul networks.

Some of our key milestones / achievements:

2008	- Received 2008 Budgie World Low Cost Airline Awards for Best Newcomer - Awarded the CAPA New Airline of the Year Award 2008
2009	- Together with AirAsia Berhad, awarded "World's Best Low-Cost Airline" by Skytrax - Joint winners, with AirAsia Berhad, of the CAPA Airline of the Year Award 2009
2010	- Together with AirAsia Berhad, awarded the "World's Best Low-Cost Airline" by Skytrax for the second consecutive year
2011	- Ranked second as "Best Low-Cost Airline in Asia" by Skytrax, after AirAsia Berhad - Together with AirAsia Berhad, awarded the Air Cargo Industry Customer Care Award 2011 from Air Cargo Week
2012	- Awarded the Airbus Top Operational Excellence Award 2010-2011 for being the world's best A330-300 operator (small fleet category) - Ranked second as "Best Low-Cost Airline in Asia" by Skytrax, after AirAsia Berhad - Together with AirAsia Berhad, awarded the Air Cargo Industry Customer Care Award 2012 from Air Cargo Week - Together with AirAsia Berhad, awarded the "Rising Star Carrier of the Year" at Payload Asia Awards 2012 - Best New Route Launch (for Haneda) for the 2012 World Low Cost Airlines Congress Budgies Awards

/ OUR STRENGTHS *(See Section 7.2 of this Prospectus)*

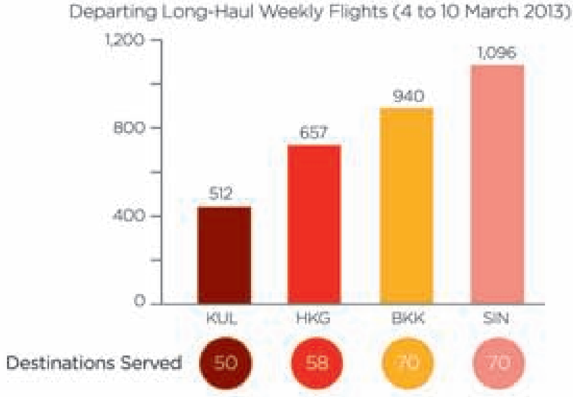
1. We have an early mover advantage in the low-cost, Long-haul segment

- Early movers in the LCC industry remain successful leaders in their respective markets, even after entry by other competing LCCs.
- We are an early mover and believe we have a similar opportunity to be a market leader in the global low-cost, Long-haul segment by exploiting a significantly underserved segment of price-sensitive air travellers on Long-haul routes.

2. We operate in some of the largest and fastest growing aviation markets

- Our positioning within the Asia Pacific Region *(forecasted to be robust and potentially surpassing North America as the world's largest aviation market, Source: S-A-P)* allows us to benefit from this growth and continue to be a large and attractive feeder market for our Long-haul routes.
- Malaysia is currently underserved from a Long-haul standpoint relative to other major Asian airports.
- Malaysia was the only Southeast Asian country in the global top 10 for international tourist arrivals in 2011. *(Source: S-A-P)*
- In 2012, there were 25.0 million tourist arrivals in Malaysia. *(Source: S-A-P)*

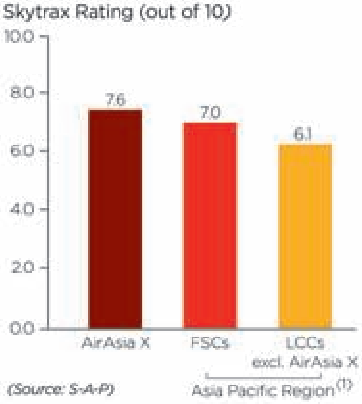
Malaysia is Poised For Growth in Low-Cost, Long-Haul Travel



(Source: S-A-P)

3. We have developed a high-quality operating model and product

High Customer Satisfaction Ratings



(Source: S-A-P)

Punctual and Reliable

(Source: S-A-P)

Attractive Fares

Operational Reliability

- Technical dispatch reliability rate of 99.5% (2011) and 99.4% (2012)
- Achieved best reliability rate among all A330-300 operators worldwide in small fleet category (2010-2011)

Notes:

(1) Based on major FSCs/LCCs in the Asia Pacific Region that S-A-P believes provide a relevant basis for comparison and have available data

(2) Based on the top 10 (ranked by operating revenue) FSCs/LCCs in the Asia Pacific Region which reported financial and operating performance, that have available data for the latest 12 month periods

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

- We believe the above strong operating attributes, together with our convenient and warm cabin services and attractive fares, have enabled us to garner high customer satisfaction ratings.

4. We benefit from being part of the AirAsia Group

- The AirAsia brand enjoys global visibility and recognition.
- Ability to leverage on AirAsia Group's large existing customer base and its broad (81 destinations around Asia from 16 hubs) and deep (2,864 return flights weekly) Short-haul LCC network.
- We mutually benefit from the interconnectivity among the AirAsia Group carriers as it provides access to a larger market for potential passengers.
- Access to over 6.9 million registered members, with www.airasia.com being a top travel-related web site in Asia *(with over 9 million average monthly unique visitors and over 182 million average monthly page views in 2012 based on tracking by Google)*, and active participation in social media.
- Increased bargaining power from collective aircraft and component purchases, leasing and financing contracts and fuel purchases.

5. We believe that we have the lowest unit operating cost base of any airline in the world[1]

- High ASKs per Aircraft due to High Aircraft Utilisation and Seat Density
- Modern, Fuel Efficient and Focused Aircraft Type Fleet
- High Labour Productivity from a Non-Unionised Workforce
- Streamlined Airport Operations
- Lower Marketing and Sales Costs

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

6. We have one of the highest ancillary revenue per passenger levels

Ancillary Products

Seat Fees

- Pick-A-Seat
- Upgrade Travel Option
- Empty Seat Option

In-flight Sales

- Meal
- Entertainment
- Souvenirs & Duty Free Products

Convenience Fees
(now known as Processing Fee)

Change Fees

"Fly-Thru" Fees

Baggage Fees

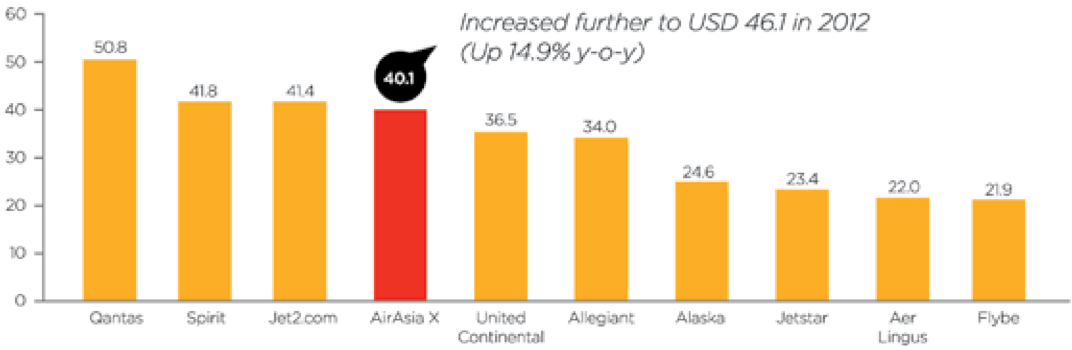
Travel Insurance

Red Carpet Service

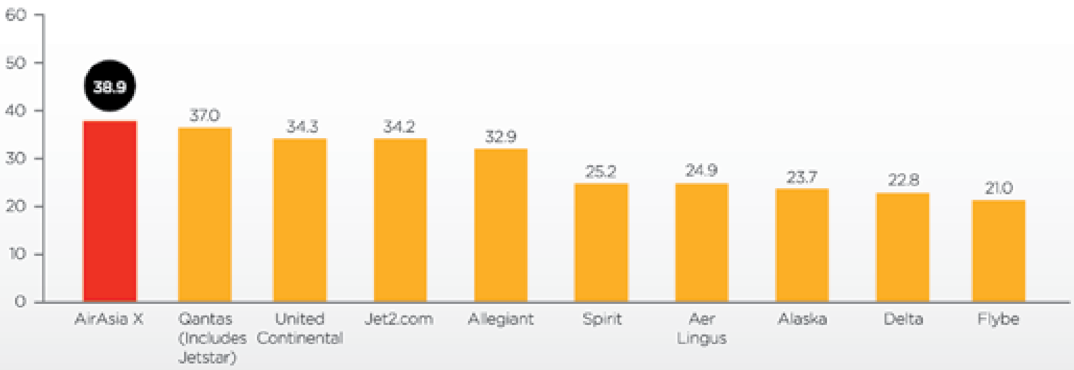
Ranking in Ancillary Revenue Generation*

** Based on comparison against global airlines that report ancillary income (Source: S-A-P)*

Ancillary Revenue Per Passenger 2011 (USD)

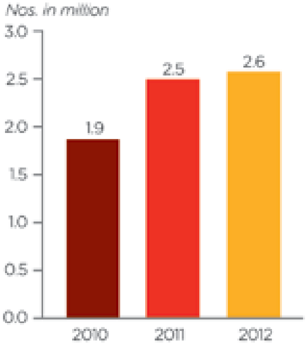


Ancillary Revenue Per Passenger 2010 (USD)



/ KEY OPERATIONAL METRICS *(See Section 12.3 of this Prospectus)*

Passengers

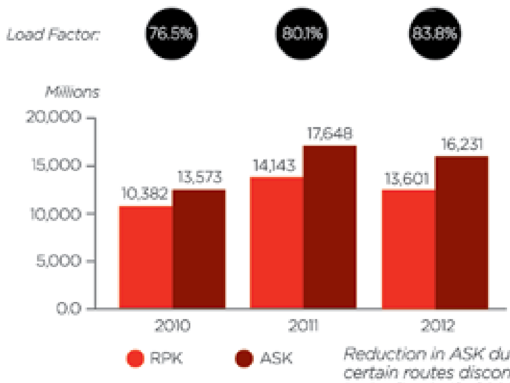


*CAGR of **76.8%** from first full year of operation to 2012*

Revenue^

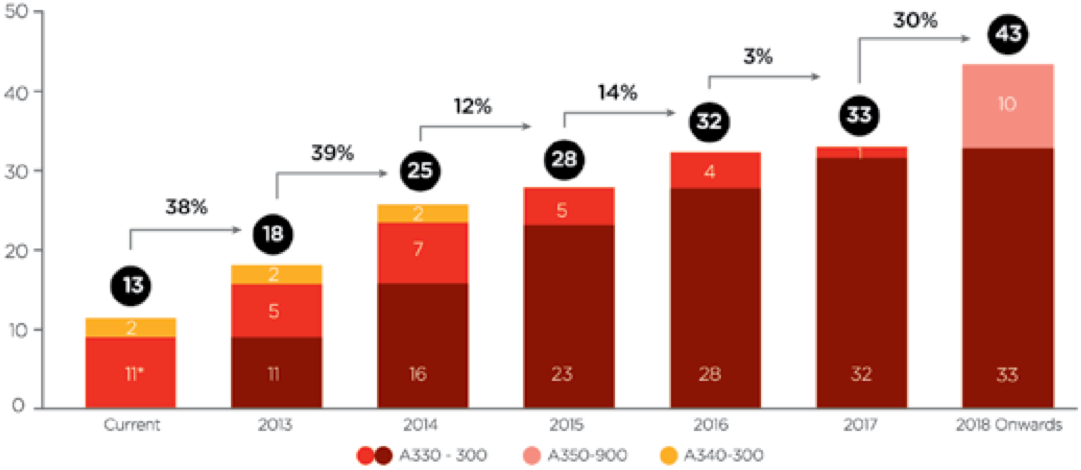
*CAGR of **70.9%** from first full year of operation to 2012*

RPK and ASK and Load Factor



Reduction in ASK due to certain routes discontinued in the first half of 2012

/ FLEET PLAN *(See Section 7.5 of this Prospectus)*



*Includes an A330 - 300 which was delivered on 3 May 2013 and scheduled only to commence operations in July 2013.

/ GROWTH STRATEGIES *(See Section 7.3 of this Prospectus)*

- Expand our passenger base by growing route network and increasing number of hubs
- Grow our fleet and expand our route mix
- Strengthen the AirAsia brand and maintain high customer satisfaction
- Maximise passenger revenue and develop ancillary revenue streams
- Continue to implement initiatives to strengthen our operations quality and cost structure

/ INDICATIVE TIMETABLE *(See Section 4.2 of this Prospectus)*

10:00 a.m. 10 June 2013	Issuance of Prospectus/Opening of Retail Offering
5:00 p.m. 19 June 2013	Closing of Retail Offering
10 July 2013	Listing

/ METHODS OF APPLICATION *(See Section 16.2 of this Prospectus)*

Type of Application Form	Category of investors
WHITE Application Form or Electronic Share Application or Internet Share Application	Malaysian public (for individuals)
WHITE Application Form only	Malaysian public (for non-individuals e.g. corporations, institutions, etc.)
PINK Application Form only	Eligible directors; eligible employees of our Group; and eligible persons who have contributed to the success of our Group
BLUE Application Form only	Eligible Passengers (for individuals)

Our Directors, the Promoters and the Selling Shareholders have reviewed and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information in this Prospectus. They confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in this Prospectus false or misleading.

CIMB Investment Bank Berhad ("**CIMB**"), as the Principal Adviser to our IPO, a Joint Managing Underwriter and Joint Underwriter for the Retail Offering, a Joint Global Coordinator and a Joint Bookrunner for the Institutional Offering in relation to our IPO, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts in connection with our IPO.

It is to be noted that the role of Credit Suisse (Singapore) Limited in our IPO is limited to being a Joint Global Coordinator and a Joint Bookrunner in respect of the Institutional Offering outside Malaysia only. Credit Suisse (Singapore) Limited does not have any role in, and disclaims any responsibility for, the Institutional Offering and Retail Offering in Malaysia.

It is to be noted that the role of Maybank Investment Bank Berhad in our IPO is limited to being a Joint Global Coordinator and a Joint Bookrunner in respect of the Institutional Offering and a Joint Managing Underwriter and Joint Underwriter in respect of the Retail Offering.

It is to be noted that the roles of Barclays Bank PLC, BNP Paribas, Singapore Branch, Citigroup Global Markets Limited, CLSA Singapore Pte Ltd, Morgan Stanley & Co. International plc and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch in our IPO are limited to being Joint Bookrunners in respect of the Institutional Offering outside Malaysia only. Barclays Bank PLC, BNP Paribas, Singapore Branch, Citigroup Global Markets Limited, CLSA Singapore Pte Ltd, Morgan Stanley & Co. International plc and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch do not have any role in, and disclaim any responsibility for, the Institutional Offering and Retail Offering in Malaysia.

It is to be noted that the role of Credit Suisse Securities (Malaysia) Sdn Bhd in our IPO is limited to being a Joint Bookrunner in respect of the Institutional Offering in Malaysia only. Credit Suisse Securities (Malaysia) Sdn Bhd does not have a role in, and disclaims any responsibility for, the Institutional Offering outside Malaysia and the Retail Offering in Malaysia.

It is to be noted that the roles of Kenanga Investment Bank Berhad and RHB Investment Bank Berhad in our IPO are limited to being Joint Managing Underwriters and Joint Underwriters in respect of the Retail Offering and Co-Lead Managers in respect of the Institutional Offering in Malaysia.

It is to be noted that the roles of AFFIN Investment Bank Berhad and MIDF Amanah Investment Bank Berhad are limited to being Joint Underwriters in respect of the Retail Offering.

The Securities Commission Malaysia ("**SC**") has approved this issue, offer or invitation for the IPO and a copy of this Prospectus has been registered with the SC. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment.

The SC is not liable for any non-disclosure in this Prospectus by us. The SC also takes no responsibility for the contents of this Prospectus and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss that you may suffer as a result of your reliance on the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND AN INVESTMENT IN US. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR OUR SHARES.

Our Company has obtained the approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for our Shares. Our admission to the official list of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or of our Shares.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act, 2007 ("**CMSA**").

This Prospectus and the accompanying application forms have also been lodged with the Registrar of Companies Malaysia who takes no responsibility for its contents. This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO for which the persons set out in Section 236 of the CMSA, e.g. Directors and advisers, are responsible.

Our Shares are classified as Shariah-compliant by the Shariah Advisory Council of the SC based on our latest audited financial information for the financial year ended 31 December 2012 and this classification remains valid until the next Shariah compliance review is undertaken by the Shariah Advisory Council of the SC. Updates on the classification will be released in the updated list of Shariah-compliant securities on the last Friday of the month of May and November of each year.

You should not take the agreement by the Joint Managing Underwriters and the Joint Underwriters to underwrite our Shares under the Retail Offering as an indication of the merits of our Shares.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, the Promoters, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters, the Joint Underwriters and Co-Lead Managers have not authorised anyone to provide any information or to make any representation not contained in this document, and any information or representation not contained in this document must not be relied upon as having been authorised by our Company, the Promoters, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters, the Joint Underwriters, Co-Lead Managers, any of their respective Directors, or any other person involved in our IPO.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia except insofar as it is a part of the offering circular distributed to foreign institutional investors outside Malaysia in connection with our IPO. Our Company, the Promoters, the Selling Shareholders, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters, the Joint Underwriters and Co-Lead Managers have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia except insofar as it is a part of the offering circular distributed to foreign and selected institutional investors outside Malaysia in connection with our IPO. No action has been taken to permit a public offering of our Shares in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any IPO Shares in any jurisdiction in which such offer or invitation in any jurisdiction or in any circumstances in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

Our Shares have not been and will not be registered under the United States' Securities Act of 1933 (the "**US Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. Our Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the US Securities Act. Our Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of our Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

ELECTRONIC PROSPECTUS

The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same. You may obtain a copy of the Electronic Prospectus, from the website of CIMB at www.eipocimb.com. In addition, you may also obtain a copy of the Electronic Prospectus from the website of CIMB Bank Berhad at www.cimbclicks.com.my, Malayan Banking Berhad at www.maybank2u.com.my, Affin Bank Berhad at www.affinOnline.com, RHB Bank Berhad at www.rhb.com.my and Public Bank Berhad at www.pbebank.com.

The internet is not a fully secure medium. Your Internet Share Application (as defined herein) may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institution (as defined herein). These risks cannot be borne by the Internet Participating Financial Institution. If you doubt the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Principal Adviser or the Issuing House (as defined herein), a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

(i) we do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, file or other material provided by such parties; and

(iii) any data, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

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Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

(I) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of an Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties; and

(II) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium.

The Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative dates:

Events	Date
Opening of Institutional Offering	10 June 2013
Issuance of Prospectus/Opening of Retail Offering	10:00 a.m., 10 June 2013
Closing of Retail Offering	5:00 p.m., 19 June 2013
Closing of Institutional Offering	24 June 2013
Price Determination Date	24 June 2013
Balloting of applications for the Issue Shares pursuant to the Retail Offering	24 June 2013
Allotment/Transfer of the IPO Shares to successful applicants	9 July 2013
Listing	10 July 2013

The Institutional Offering will close on the date stated above or such other date as our Directors, the Selling Shareholders and the Joint Global Coordinators may decide in their absolute discretion. The applications for the Retail Offering will close at the time and date stated above subject that our Directors and the Joint Managing Underwriters may decide in their absolute discretion to extend the closing time and date for applications to any later time(s) and/or date(s).

In the event that the closing date and/or time of either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting and allotment of the Issue Shares and the transfer of the Offer Shares and our Listing will be extended accordingly. We will announce any extension in a widely circulated Bahasa Malaysia and English language daily newspaper within Malaysia.

All defined terms used in this Prospectus are defined under "Presentation of Financial and Other Information", "Definitions" and "Glossary of Technical Terms" commencing on pages x, xiv, and xxi respectively.

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TABLE OF CONTENTS

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "**our Company**" and "**AirAsia X**" in this Prospectus are to AirAsia X Berhad. All references to "**AirAsia X Group**" and "**our Group**" in this Prospectus are to our Company, our subsidiaries and our associated company, as a whole, and reference to "**we**", "**us**" and "**our**" are to our Company and our subsidiaries, save where the context otherwise requires. Unless the context otherwise requires, references to "**Management**" are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

In this Prospectus, reference to the "**Government**" is to the Government of Malaysia; references to "**Ringgit**", "**Malaysian Ringgit**", "**RM**" and "**sen**" are to the lawful currency of Malaysia. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Certain acronyms, technical terms and other abbreviations used are defined in "**Definitions**" and "**Glossary of Technical Terms**" appearing after this section. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

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

All references to dates and times are references to dates and times in Malaysia.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industries in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by S-A-P for inclusion in this Prospectus. We have appointed S-A-P to provide an independent market and industry review. In compiling their data for the review, S-A-P had relied on industry sources, published materials, their own private databanks and direct contacts within the industries. The information on the industries as contained in this Prospectus and the other statistical data and projections cited in this Prospectus is intended to help prospective investors understand the major trends in the industries in which we operate. However, we, the Selling Shareholders, the Promoters, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters, the Joint Underwriters, the Co-Lead Managers and their respective advisers have not independently verified these figures. Neither our Company nor the Selling Shareholders, the Promoters, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters, the Joint Underwriters, the Co-Lead Managers and their respective advisers make any representation as to the correctness, accuracy or completeness of such data and accordingly, prospective investors should not place undue reliance on the statistical data cited in this Prospectus. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. You should not place undue reliance on the third-party projections cited in this Prospectus.

References to the latest practicable date or "LPD" in this Prospectus are to 25 April 2013, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

EBITDA, EBITDAR, as well as the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with the FRS and MFRS. EBITDA and EBITDAR are not measurements of financial performance or liquidity under the FRS or MFRS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with the FRS or MFRS or as alternatives to cash flows from operating activities or as measures of liquidity. In addition, EBITDA and EBITDAR are not standardised terms, hence a direct comparison between companies using such terms may not be possible.

We believe that EBITDA and EBITDAR facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by the variations in capital structures (affecting interest expense and finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expenses) and in addition the rental expenses for aircraft in the case of EBITDAR. EBITDA and EBITDAR have been presented because we believe that they are frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-FRS and non-MFRS financial measures when reporting their results. Nevertheless, EBITDA and EBITDAR have limitations as analytical tools, and potential investors should not consider them in isolation from, or as a substitute for analysis of our financial condition or results of operations, as reported under the FRS and MFRS. Due to these limitations, EBITDA or EBITDAR should not be considered as measures of discretionary cash available to invest in the growth of our business.

The information on our websites or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

Foreign exchange rates

Unless otherwise stated and save for Section 8 of this Prospectus, the translation from USD to RM which is applied throughout this Prospectus for the years ended 31 December 2010, 2011 and 2012, and the 3 months ended 31 March 2012 and 2013 is based on the following exchange rates:

	Year ended 31 December			3 months ended 31 March	
	2010	**2011**	**2012**	**2012**	**2013**
For Income Statements, Statements of Comprehensive Income and Operating Data (where appropriate)					
USD[1]	RM3.22	RM3.06	RM3.09	RM3.06	RM3.08
For Balance Sheets					
USD[2]	RM3.09	RM3.17	RM3.06	RM3.07	RM3.09

In addition to the above, unless otherwise stated, the translation from USD to RM of USD1.00 to RM3.04 as at the LPD[3] is applied throughout this Prospectus.

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(1) Based on the average daily rates for the relevant financial years/periods sourced from Bank Negara Malaysia

(2) Based on the daily rates on the last business day of the respective financial years/periods sourced from Bank Negara Malaysia

(3) Based on the rate as at the LPD sourced from Bank Negara Malaysia

FORWARD-LOOKING STATEMENTS

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

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

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

- fluctuations in demand and supply for air travel;
- terrorist attacks, natural disasters, epidemics and social and political unrest in the regions in which we operate;
- the general economic conditions in the markets in which we operate;
- our ability to compete with other airlines in a highly competitive industry;
- our ability to obtain regulatory approvals and licences to operate in our existing markets and to gain access to new markets;
- our ability to successfully implement our growth strategy;
- increases in fuel prices or limitations on fuel supply;
- increases in fleet maintenance expenses;
- increases in the cost of airport facilities and services, or any restrictions on access to such airport facilities and services;
- our ability to attract and retain personnel, including our senior management team and highly-skilled talent, on a cost-effective basis;
- delays that may cause reductions to our high daily aircraft utilisation rate;

- problems that may be associated with the reliability or availability of the A330-300 and the engines we use;
- any accident or sufficiently disruptive or dangerous incident involving any of our aircraft or any AirAsia Group aircraft;
- our reliance on the AirAsia brand and on our association with the AirAsia Group;
- our ability to raise new equity and obtain financing for the expansion of our aircraft fleet;
- changes or other increases in governmental regulation, including environmental regulation, and the costs associated therewith;
- movements of foreign exchange rates;
- the cost and availability of adequate insurance coverage;
- fixed and contingent obligations and commitments; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed elsewhere in Section 5 of this Prospectus on "Risk Factors" and Section 12.4 of this Prospectus on "Factors Affecting our Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Save as required by Section 238(1) of the CMSA and Paragraph 1.02 of the Prospectus Guidelines (Supplementary Prospectus), we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Prospectus to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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DEFINITIONS

The following terms in this document bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

ADA	:	Authorised Depository Agent
AFFIN	:	AFFIN Investment Bank Berhad
AirAsia Group	:	AirAsia Berhad, its subsidiaries, joint venture companies and associate companies and other companies using the "AirAsia" brand name, taken as a whole (including AirAsia X, where applicable)
AirAsia Insure	:	A travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee
AirAsia Services Agreement	:	The AirAsia Services Agreement between AirAsia Berhad and our Company dated 31 October 2007, as amended, varied and supplemented
AirAsia X or Company	:	AirAsia X Berhad
AirAsia X Group or Group	:	AirAsia X, its subsidiaries and associated company
Airbus	:	Airbus S.A.S.
AOC	:	Air Operator's Certificate
Application Form(s)	:	Application form(s) for the application of the Issue Shares under the Retail Offering accompanying this Prospectus
Articles	:	Articles of Association of our Company
ASEAN	:	Association of Southeast Asian Nations, comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
ASL	:	Air Service Licence
ATM	:	Automated teller machine
Barclays	:	Barclays Bank PLC
BIG Member(s)	:	Member(s) of BIG, a loyalty programme that AirAsia X is a participant of, where members can earn loyalty points through the purchase of flights from the AirAsia Group or goods and services from selected partners. Such loyalty points can be redeemed for AirAsia Group flights, hotel stays, vouchers and merchandise, amongst others
BNP Paribas	:	BNP Paribas, Singapore Branch
Board or Board of Directors	:	Board of Directors of our Company

Brand Licence Agreement	:	The Brand Licence Agreement between AirAsia Berhad and our Company dated 20 July 2007, as amended and renewed by the the Brand Licence Amendment and Renewal Agreement
Brand Licence Amendment and Renewal Agreement	:	The Brand Licence Amendment and Renewal Agreement between AirAsia Berhad and our Company dated 21 July 2012
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	By-laws governing our ESOS
CAGR	:	Compound annual growth rate
CDS	:	Central Depository System
CIMB	:	CIMB Investment Bank Berhad
Citi	:	Citigroup Global Markets Limited
CLSA	:	CLSA Singapore Pte Ltd
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
Co-Lead Managers	:	Collectively, KIBB and RHB
Companies Act	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
Credit Suisse	:	Credit Suisse (Singapore) Limited
Credit Suisse Malaysia	:	Credit Suisse Securities (Malaysia) Sdn Bhd
DCA	:	Department of Civil Aviation of Malaysia
Director(s)	:	Member(s) of the Board of Directors
EBITDA	:	Earnings before finance cost, taxation, depreciation and amortisation
EBITDAR	:	Earnings before finance cost, taxation, depreciation, amortisation and aircraft rental expenses
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application	:	Application for the Issue Shares made available to the Malaysian public under the Retail Offering through a Participating Financial Institution's ATM
Eligible Directors	:	Director(s) of any company in our Group (which is not a dormant company) who meet(s) the criteria of eligibility for participation in our ESOS in accordance with By-Law 4

Eligible Employees	:	Employee(s) of any company in our Group (which is not a dormant company) who meet(s) the criteria of eligibility for participation in our ESOS in accordance with By-Law 4
Eligible Passengers	:	Paying passengers who (i) have flown on AirAsia X flights within 24 months prior to the date of this Prospectus; (ii) are BIG Members; and (iii) are deemed to be Malaysian public, who have been allocated with the Issue Shares in the manner set out in Section 4.3.5 of this Prospectus
Eligible Persons	:	Collectively, (i) the eligible directors; (ii) the eligible employees; and (iii) the eligible persons who have contributed to the success of our Group, who have been allocated with the Issue Shares in the manner as set out in Section 4.3.4 of this Prospectus
Equity Guidelines	:	Equity Guidelines issued by the SC, as amended from time to time
ESOS	:	Employees' share option scheme
ESOS Committee	:	A committee comprising such person(s) as may be appointed by the Board to administer our ESOS
ESOS Options	:	The right of an Eligible Director or Eligible Employee who has accepted an offer in the manner indicated in By-Law 8 to subscribe for new Shares pursuant to the contract constituted by the acceptance of an offer
Final Retail Price	:	Final price per Issue Share equivalent to the Institutional Price, subject that it will not exceed the Retail Price
FRS	:	Financial Reporting Standards
FSC	:	Full-service carrier
GDP	:	Gross domestic product
HSBC	:	The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch
Inaugural Benefit	:	The inaugural benefit of the Shareholders' Benefit Programme in the form of zero fare return air tickets to any AirAsia X destinations originating from Malaysia, the eligibility of which is subject to and in accordance with the terms and conditions set out in Annexure C of this Prospectus
Institutional Offering	:	Offering of up to 538,011,800 Shares comprising: (i) up to 197,530,900 Offer Shares and 79,740,200 Issue Shares to Malaysian institutional and selected investors and foreign institutional and selected investors at the Institutional Price; and (ii) 260,740,700 Issue Shares to Bumiputera institutional and selected investors approved by the MITI at the Institutional Price; subject to clawback and reallocation provisions and the Over-allotment Option

Institutional Price	:	Price per IPO Share to be paid by investors pursuant to the Institutional Offering which will be determined on the Price Determination Date by way of bookbuilding
Internet Participating Financial Institution	:	The participating financial institution for the Internet Share Application as set out in Section 16 of this Prospectus
Internet Share Application	:	Application for the Issue Shares made available to the Malaysian public under the Retail Offering through an Internet Participating Financial Institution
IPO	:	Initial public offering of up to 790,123,500 IPO Shares comprising the Offer for Sale and the Public Issue
IPO Shares	:	Collectively, the Offer Shares and the Issue Shares
Issue Shares	:	New Shares to be issued pursuant to the Public Issue
Issuing House	:	Malaysian Issuing House Sdn Bhd
Joint Bookrunners	:	Collectively, Barclays, BNP Paribas, CIMB, Citi, CLSA, Credit Suisse, Credit Suisse Malaysia, Maybank IB, Morgan Stanley and HSBC
Joint Global Coordinators	:	Collectively, CIMB, Credit Suisse and Maybank IB
Joint Managing Underwriters	:	Collectively, CIMB, KIBB, Maybank IB and RHB
Joint Underwriters	:	Collectively, the Joint Managing Underwriters together with AFFIN and MIDF
KIBB	:	Kenanga Investment Bank Berhad
KLIA	:	Kuala Lumpur International Airport
KLIA 2	:	The new low-cost carrier terminal currently being constructed at or near to KLIA
LAT	:	Loss after taxation
LBITDAR	:	Loss before finance cost, taxation, depreciation, amortisation and aircraft rental expenses
LBT	:	Loss before taxation
LCC	:	Low-cost carrier
LCCT	:	Low Cost Carrier Terminal at KLIA
Listing	:	Listing of and quotation for 2,370,370,387 Shares representing the entire enlarged issued and paid up share capital of our Company on the Main Market
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	25 April 2013, being the latest practicable date prior to the registration of this Prospectus with the SC
Main Market	:	Main Market of Bursa Securities

Market Day	:	A day on which Bursa Securities is open for trading in securities
Master Purchase Agreement	:	Master aircraft purchase agreement between our Company and Airbus dated 14 June 2007, as amended, varied and supplemented
Maybank IB	:	Maybank Investment Bank Berhad
MFRS	:	Malaysian Financial Reporting Standards
MIDF	:	MIDF Amanah Investment Bank Berhad
MITI	:	Ministry of International Trade and Industry of Malaysia
Morgan Stanley	:	Morgan Stanley & Co. International plc
Offer for Sale	:	Offer for sale by the Selling Shareholders of up to 197,530,900 Offer Shares at the Institutional Price, subject to clawback and reallocation provisions and the Over-allotment Option, to Malaysian institutional and selected investors and foreign institutional and selected investors
Offer Shares	:	Shares to be offered pursuant to the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
operating fleet	:	10 A330-300s currently operated by our Company
Over-allotment Option	:	Over-allotment option granted by Orix Airline Holdings Limited and Manara Malaysia I Limited to the Stabilising Manager (on behalf of the Joint Bookrunners and Co-Lead Managers) as set out in Section 4.3.7 of this Prospectus
Participating Financial Institution	:	Participating financial institution for the Electronic Share Application
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Price Determination Date	:	Date on which the Institutional Price and the Final Retail Price will be determined
Principal Adviser	:	CIMB
Promoters	:	Collectively, Aero Ventures Sdn Bhd, AirAsia Berhad, Dato' Kamarudin Bin Meranun, Tan Sri Dr. Anthony Francis Fernandes, Dato' Seri Kalimullah Bin Masheerul Hassan and Lim Kian Onn
Proposed Initial Grant	:	Proposed initial grant of up to 9,850,000 ESOS Options to Eligible Employees prior to our Listing
Prospectus Guidelines	:	Prospectus Guidelines – Equity and Debt, issued by the SC, as amended from time to time

Public Issue	:	Public issue of 592,592,600 Issue Shares, subject to clawback and reallocation provisions and the Over-allotment Option, to be allocated in the following manner: (i) 79,740,200 Issue Shares to Malaysian institutional and selected investors and foreign institutional and selected investors at the Institutional Price; (ii) 260,740,700 Issue Shares to Bumiputera institutional and selected investors approved by the MITI at the Institutional Price; (iii) 52,111,700 Issue Shares made available to the Eligible Persons at the Retail Price; (iv) 50,000,000 Issue Shares made available to the Eligible Passengers at the Retail Price; and (v) 150,000,000 Issue Shares made available to the Malaysian public at the Retail Price
RCPS	:	Redeemable convertible preference shares of RM1.00 each in the capital of our Company conferring on the holders thereof the rights and privileges and subject to the conditions as set out in our Articles
Retail Offering	:	Offering of 252,111,700 Issue Shares at the Retail Price, subject to clawback and reallocation provisions, to be offered in the following manner: (i) 52,111,700 Issue Shares made available to the Eligible Persons; (ii) 50,000,000 Issue Shares made available to the Eligible Passengers; and (iii) 150,000,000 Issue Shares made available to the Malaysian public
Retail Price	:	Initial price of RM1.45 per Issue Share to be fully paid by applicants pursuant to the Retail Offering subject to the adjustment as detailed in Section 4.7.2 of this Prospectus
RHB	:	RHB Investment Bank Berhad
Rules of the Depository	:	The Rules of Bursa Malaysia Depository Sdn Bhd
S-A-P	:	Strategic Airport Planning Ltd
SAC of the SC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
Selling Shareholders	:	Aero Ventures Sdn Bhd, Orix Airline Holdings Limited and Manara Malaysia I Limited, being the parties undertaking the Offer for Sale

Share Lending Agreement	:	The agreement to be entered into by Orix Airline Holdings Limited and Manara Malaysia I Limited and the Stabilising Manager under which Orix Airline Holdings Limited and Manara Malaysia I Limited will lend Shares to the Stabilising Manager to cover over-allotments, if any
Shareholders' Benefit Programme	:	The benefit programme for AirAsia X shareholders, except for those who are directors and employees of the AirAsia Group, which was implemented by us and to commence from the date of our Listing as set out in Section 7.7.2 of this Prospectus
Shares	:	Ordinary shares of RM0.15 each in our Company
SICDA	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
Stabilising Manager	:	Maybank IB
US Securities Act	:	United States Securities Act of 1993, as amended

CURRENCY

AUD	:	Australian dollars, the lawful currency of Australia
NZD	:	New Zealand dollars, the lawful currency of New Zealand
RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
THB	:	Thailand Baht, the lawful currency of Thailand
USD and US¢	:	United States dollars and United States cents, the lawful currency of the United States of America

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GLOSSARY OF TECHNICAL TERMS

'A' checks	:	The basic inspection and routine servicing conducted on an aircraft every 800 hours flown to ensure that the aircraft is in an airworthy state to continue flying
A330-200	:	Airbus' A330-200 mid-size, wide-body aircraft, with a service range of approximately 7,000 nautical miles or estimated flight duration of 13 hours
A330-300	:	Airbus' A330-300 mid-size, wide-body aircraft, with a service range of approximately 5,400 nautical miles or estimated flight duration of 11 hours based on our current configuration
A340-300	:	Airbus' A340-300 wide-body aircraft with a service range of approximately 7,400 nautical miles or estimated flight duration of 13 hours
A350-900	:	The new Airbus' A350-900 wide-body aircraft under development which is tailored to meet airlines' future market requirements, with a service range of up to 8,100 nautical miles or estimated flight duration of 14 to 15 hours
Asia Pacific Region	:	The region around the Western Pacific Ocean comprising Northeast Asia, Southeast Asia, South Asia and Oceania
ASK	:	Available seat kilometres, which is the total number of seats available on our Company's scheduled flights multiplied by the number of kilometres those seats were flown over a particular period
'C' checks	:	The maintenance performed on an aircraft at 18-month intervals, which takes approximately one week to complete, with a longer 24-day check every 72 months
CASK	:	Cost per available seat kilometre, which is derived by taking total operating costs (excluding finance costs and taxation) divided by ASK
Fly-Thru	:	Our flight connection service which allows seamless connection without having to obtain a transit visa when transiting at LCCT to other AirAsia Group destinations
IATA	:	The International Air Transport Association, an international trade body which represents some 240 airlines and the airline industry in general
ICAO	:	The United Nations International Civil Aviation Organization, a United Nations specialised agency which sets standards and regulations necessary for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection
Long-haul	:	Flights with a duration of more than 4 hours
narrow-body aircraft	:	A medium-sized airliner with a single passenger aisle, with typically smaller passenger capacity and lower flight range capabilities as compared to wide-body aircraft

GLOSSARY OF TECHNICAL TERMS (cont'd)

on-time departure rate	:	An airline performance measure which is the ratio, expressed as a percentage, of the number of flights that depart the gate within 15 minutes of the scheduled departure time to the total number of flights For the purpose of computing on-time departure rate, in the event that a flight is retimed or rescheduled, the scheduled departure time will be changed to reflect the new planned timing, but the flight will still be classified as a delayed flight
on-time performance	:	An airline performance measure based on the number of flights that depart at the gate within 15 minutes after the published scheduled departure time
open skies agreement	:	A specific bilateral (between two governments) or multilateral agreement that places no quota on the number of flights or capacity that airlines can operate within the jurisdiction governed by the agreement
passenger load factor	:	A measure of the average occupancy of the total available capacity of an airline, i.e. RPK as a proportion of ASK
Premium FlatBed	:	Our premium passenger seats which feature standard business class specifications of 20 inches width, 60 inches pitch and stretch out to 77 inches in full recline position
RASK	:	Revenue per available seat kilometre, which is derived by total revenue divided by ASK
RASK-CASK spread	:	Being the difference between RASK and CASK, representing the operating profit of an airline on a per ASK unit basis
RPK	:	Revenue passenger kilometres, which is the number of paying passengers carried on scheduled flights multiplied by the number of kilometres those seats were flown
scheduled departure time	:	The planned departure time for aircraft based on flight schedules. In the case of a re-time or re-schedule, the scheduled departure time will reflect the new planned timing
seat pitch	:	An indication of legroom, referring to the space between a point on one seat and the same point on the seat in front of it
Short-haul	:	Flights with a duration of 4 hours or less
Skytrax	:	A specialist research advisor to the air transport industry providing product and service analysis and passenger research studies for airlines, airline alliances, airports and related air transport product and service suppliers globally

technical dispatch reliability	:	A generally accepted industry standard airline performance measure, which is the ratio, expressed as a percentage, of the number of flights that do not incur a primary technical delay, or a primary technical cancellation, to the total number of flights For the purpose of this definition, primary technical cancellation means a flight cancellation due to a technical fault on the aircraft, and primary technical delay means a flight delay of more than 15 minutes from its scheduled departure time due to a technical fault on the aircraft
wet lease	:	A leasing arrangement whereby one airline (lessor) provides an aircraft, together with complete crew, maintenance and insurance to a lessee, and the operations of which are carried out as the lessee's flight
wide-body aircraft	:	A large airliner with two passenger aisles, with typically larger passenger capacity and higher flight range capabilities as compared to narrow-body aircraft

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1. INTRODUCTION

This Prospectus is dated 10 June 2013.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus together with the Application Forms with the Registrar of Companies Malaysia, who takes no responsibility for its contents.

We received the SC's approval for our IPO on 21 January 2013, as varied on 7 May 2013. The approval of the SC shall not be taken to indicate that the SC recommends our IPO. On 23 October 2012, we submitted an application to the SC for a Shariah compliance review to be carried out by the SAC of the SC as part of the process of determining our Shariah status for the purposes of our IPO, as subsequently updated on 19 April 2013. On 2 May 2013, the SAC of the SC classified our Shares as Shariah-compliant based on the latest audited financial information of our Company for the financial year ended 31 December 2012. This classification will remain valid until the next Shariah compliance review is undertaken by the SAC of the SC. Updates on the classification will be released in the updated list of Shariah-compliant securities on the last Friday of the month of May and November of each year.

You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of our IPO and an investment in our Company.

We have applied to Bursa Securities and received its approval on 29 May 2013 for the admission of our Shares to the Official List of the Main Market and for permission to deal in and the listing of and quotation for all our Shares. Our Shares will be admitted to the Official List of the Main Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all the IPO Shares have been credited into the respective CDS accounts of the successful applicants and the notices of allotment have been despatched to all successful applicants. Admission to the Official List of the Main Market shall not be taken as an indication of the merits of our Company, our Shares or our IPO.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a prescribed security. Consequently, our Shares offered in our IPO will be deposited directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the total number of Shares for which listing is sought must be held by at least 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. We expect to achieve this at the time of our Listing. In the event that the above requirement is not met, we may not be allowed to proceed with our Listing. Should such an event occur, we will return in full, without interest, monies paid in respect of all applications and if such monies are not returned in full within 14 days after we and the Selling Shareholders become liable to do so, in accordance with the provision of subsection 243(2) of the CMSA, in addition to the liability of our Company and the Selling Shareholders, the officers of our Company and the Selling Shareholders shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

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In the case of an application by way of Application Form, you should state your CDS account number in the space provided in the Application Form. If you do not presently have a CDS account, you must open a CDS account with an ADA before making an application for the IPO Shares. For an application by way of Electronic Share Application, only an applicant who has a CDS account number can make an Electronic Share Application and you should furnish your CDS account number to a Participating Financial Institution by way of keying in your CDS account number if the instructions on the ATM screen at which you submit your Electronic Share Application requires you to do so. In the case of an application by way of Internet Share Application, only an applicant who has a CDS account opened with an Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, your CDS account number will automatically appear in the electronic IPO online Application Forms. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

IF YOU ARE IN ANY DOUBT ABOUT THIS DOCUMENT OR IN CONSIDERING YOUR INVESTMENT, YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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2. CORPORATE DIRECTORY

DIRECTORS

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

2. CORPORATE DIRECTORY (cont'd)

DIRECTORS *(cont'd)*

Name	Address	Occupation	Nationality
Asher Noor *(Alternate Director to Shan-E-Abbas Ashary)*	Al Waha Garden Village Compound Granada Area Riyadh Saudi Arabia	Group Chief Financial Officer, Al-Touq Group	Pakistani
Kiyotaka Tanaka *(Alternate Director to Kiyoshi Fushitani)*	266-69 Akiba-Cho Totsuka-Ku, Yokohama-City Kanagawa-Pref 245-0052, Japan	Managing Director, Aviation and Investment Group	Japanese

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tan Sri Rafidah Aziz	Chairman	Independent Non-Executive Director
Dato' Kamarudin Bin Meranun	Member	Non-Independent Non-Executive Director
Tan Sri Asmat Bin Kamaludin	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Tan Sri Rafidah Aziz	Chairman	Independent Non-Executive Director
Tan Sri Dr. Anthony Francis Fernandes	Member	Non-Independent Non-Executive Director
Dato' Yusli Bin Mohamed Yusoff	Member	Independent Non-Executive Director

2. CORPORATE DIRECTORY (cont'd)

COMPANY SECRETARIES	:	Jasmindar Kaur A/P Sarban Singh (MAICSA No. 7002687) 18, Jalan TK 1/6, Taman Kinrara 7th Mile Jalan Puchong 47180 Puchong, Selangor Darul Ehsan Malaysia Ching Koon Kah @ Chin Kon Kah (MIA No. 8008) 2172, Jalan Besar 78300 Masjid Tanah, Melaka Malaysia
REGISTERED OFFICE	:	B-13-15, Level 13 Menara Prima Tower B Jalan PJU 1/39, Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel. No.: +603 7491 4318 Fax No.: +603 7887 2318 Email: airasiax@airasia.com
HEAD/MANAGEMENT OFFICE	:	Lot PT16, Jalan KLIA S7 Southern Support Zone, KLIA 64000 Sepang, Selangor Malaysia Tel. No.: +603 8660 4600 Fax No.: +603 8660 4777 Email: airasiax@airasia.com Website: www.airasia.com
AUDITORS AND REPORTING ACCOUNTANTS	:	PricewaterhouseCoopers (AF1146) Chartered Accountants Level 10, 1 Sentral, Jalan Travers Kuala Lumpur Sentral 50706 Kuala Lumpur Malaysia Tel. No.: +603 2173 1188
PRINCIPAL BANKERS *(in alphabetical order)*	:	CIMB Bank Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Tel. No.: +603 2084 8888

		CIMB Bank Berhad, Labuan Offshore Branch Level 14(a), Main Office Tower Financial Park Labuan Jalan Merdeka 87000 Labuan F.T. Malaysia Tel. No.: +603 2084 9210 Citibank Berhad 45th Floor, Menara Citibank 165, Jalan Ampang 50450 Kuala Lumpur Malaysia Tel. No.: +603 2383 2092 HSBC Bank Malaysia Berhad Head Office, 2, Leboh Ampang 50100 Kuala Lumpur Malaysia Tel. No.: +603 2070 0744 Maybank Islamic Berhad Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2070 8833
PRINCIPAL ADVISER	:	CIMB Investment Bank Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Tel. No.: +603 2084 8888
JOINT GLOBAL COORDINATORS *(in alphabetical order)*	:	CIMB Investment Bank Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Tel. No.: +603 2084 8888 Credit Suisse (Singapore) Limited 1 Raffles Link #03/#04-01 South Lobby Singapore 039393 Tel. No.: +65 6212 2000

2. CORPORATE DIRECTORY (cont'd)

Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

Tel. No.: +603 2059 1888

JOINT BOOKRUNNERS *(in alphabetical order)* :

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Tel. No.: +852 2903 2737 (Equities Syndicate)

BNP Paribas, Singapore Branch
20 Collyer Quay
#01-01 Tung Centre
Singapore 049319

Tel. No.: +65 6210 1288

CIMB Investment Bank Berhad
10th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia

Tel. No.: +603 2084 8888

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Tel. No.: +44 20 7986 4000

CLSA Singapore Pte Ltd
80 Raffles Place
#18-01 UOB Plaza 1
Singapore 048624

Tel. No.: +65 6416 7888

Credit Suisse (Singapore) Limited
1 Raffles Link
#03/#04-01 South Lobby
Singapore 039393

Tel. No.: +65 6212 2000

2. CORPORATE DIRECTORY (cont'd)

Credit Suisse Securities (Malaysia) Sdn Bhd
Suite 7.6, Level 7, Menara IMC
8 Jalan Sultan Ismail
50250 Kuala Lumpur

Tel. No.: +603 2723 2020

Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

Tel. No.: +603 2059 1888

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Tel. No.: +44 20 7425 8000

The Hongkong and Shanghai Banking Corporation
Limited, Singapore Branch
21 Collyer Quay
HSBC Building
Singapore 049320

Tel. No.: +65 6216 9008

JOINT MANAGING UNDERWRITERS AND JOINT UNDERWRITERS *(in alphabetical order)* :

CIMB Investment Bank Berhad
10th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia

Tel. No.: +603 2084 8888

Kenanga Investment Bank Berhad
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Tel. No.: +603 2164 9080

Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

Tel. No.: +603 2059 1888

2. CORPORATE DIRECTORY (cont'd)

		RHB Investment Bank Berhad Level 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel. No.: +603 9287 3888
JOINT UNDERWRITERS *(in alphabetical order)*	:	AFFIN Investment Bank Berhad 27th Floor, Menara Boustead 69, Jalan Raja Chulan 50200, Kuala Lumpur Malaysia Tel. No.: +603 2142 3700 MIDF Amanah Investment Bank Berhad Level 8, 9, 10, 11 & 12 Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Tel. No.: +603 2173 8888
CO-LEAD MANAGERS *(in alphabetical order)*	:	Kenanga Investment Bank Berhad 8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel. No.: +603 2164 9080 RHB Investment Bank Berhad Level 10, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel. No.: +603 9287 3888
LEGAL ADVISERS	:	*To the Company as to Malaysian law* Christopher Lee & Co. 25-2, Block B, Jaya One Section 13 No. 72A Jalan Universiti 46200 Petaling Jaya Malaysia Tel. No.: +603 7958 8310 *To the Company as to United States and English law* Pillsbury Winthrop Shaw Pittman LLP 2300 N Street NW Washington, DC 20037-1122 United States of America Tel. No.: +1 202 663 8000

2. CORPORATE DIRECTORY (cont'd)

		To the Joint Global Coordinators, Joint Bookrunners, Joint Managing Underwriters, Joint Underwriters and Co-Lead Managers as to Malaysian law Zaid Ibrahim & Co. Level 19, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia Tel. No.: +603 2087 9999 *To the Joint Global Coordinators and Joint Bookrunners as to United States and English law* Allen & Overy LLP 50 Collyer Quay #09-01 OUE Bayfront Singapore 049321 Tel. No.: +65 6671 6000
INDEPENDENT MARKET RESEARCH CONSULTANT	:	Strategic Airport Planning Ltd 55, Soi Langsuan, Suite 1902 Ploenchit Road Bangkok Thailand 10330 Tel. No.: +66 86 060 4626
SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel. No.: +603 7841 8000
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel. No.: +603 7841 8000
LISTING SOUGHT	:	Main Market of Bursa Securities
SHARIAH STATUS	:	Approved by the SAC of the SC

3. SUMMARY

This section is only a summary of the selected salient information about us and the IPO and is extracted and summarised from the full text of this Prospectus and may not contain all of the information about us and the IPO which may be important to you. You should read and understand the whole Prospectus before deciding whether to invest in our Shares. You are advised to read the risk factors described in Section 5 of this Prospectus for an understanding of the risks associated with an investment in our Company.

3.1 Overview

We are a leading low-cost, Long-haul airline, operating primarily in the Asia Pacific Region. Based upon our breakthrough business model, we believe that we have the lowest unit cost base of any airline in the world[(1)], with a CASK of US¢3.74 and CASK (excluding fuel) of US¢1.90 for 2012. This implies a 67.3% and 75.3% lower CASK and CASK (excluding fuel), respectively, as compared to the average CASK and CASK (excluding fuel) of the 10 largest FSCs based in the Asia Pacific Region (ranked by operating revenue) that reported these figures (source: S-A-P). This in turn has enabled us to offer fares[(2)] that are targeted, on average, to be 30% - 50% lower than FSCs and to stimulate new market demand, whereby passenger volumes between Kuala Lumpur and other destinations we serve grew by an average of over 90% from the year before the launch of each route to the year ended 31 December 2012.

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

Our breakthrough model benefits from our association with the AirAsia Group. From commencement of operations, we have been able to leverage the AirAsia Group's globally recognised brand and large existing customer base, as well as the broad and deep Short-haul LCC network. The broad network served by the other carriers in the AirAsia Group comprises 81 destinations around Asia from 16 hubs as at the LPD, that provides vital feed to and from our hub in Kuala Lumpur. In terms of the depth of the network, the other carriers in the AirAsia Group collectively account for a weekly frequency of 2,864 return flights, or 5,728 one-way flights as at the LPD.

With our early mover advantage, the largest LCC wide-body aircraft seat capacity in the Asia Pacific Region, our growing route network and passenger base, and lower costs and fares than FSCs, our vision is to be a leading Long-haul LCC globally. We expect to achieve this by exploiting a significantly under-served segment of price-sensitive air travellers on Long-haul routes that extend beyond the commercial range limitations of narrow-body aircraft range used by traditional Short-haul LCCs. To this end, we are scheduled to receive delivery of 22 additional A330-300s up to 2017, and have a firm order for 10 A350-900s beyond that. With 5 A330-300s to be delivered for the remainder of 2013 and 7 A330-300s to be delivered in 2014, we believe we are poised to continue growing in the near future. Together with the broader AirAsia Group, we are working towards creating the world's first global, multi-hub LCC network, with complementary Short-haul and Long-haul networks.

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

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

We have a unique organisational culture and capability, balancing rigorous cost focus and discipline aimed at delivering the lowest unit operating cost; industry-leading reliability and on-time performance standards; and customer satisfaction levels comparable to the ratings achieved by Asia Pacific FSCs.

We believe we are a leader in the LCC industry in product innovation. Our innovations in the LCC market include introducing the world's first Premium FlatBed seats, pioneering transfer "Fly-Thru" connection services, as well as introducing portable in-flight entertainment units and various seat assignment and upgrade options. Partly as a result of these innovations, we achieved the highest and the fourth highest reported ancillary revenue per passenger of any airline in the world in 2010 and 2011, respectively, and continued to grow the same by 14.9% from 2011 to 2012. We achieved all of this while simultaneously maintaining what we believe is the lowest unit cost base among all airlines globally[(3)].

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

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

Please refer to Section 7 of this Prospectus for further information on our business.

3.2 Competitive Strengths

We have achieved and maintained our position as a leading low-cost, Long-haul carrier in the Asia Pacific Region due to the following strengths:

- **We Have An Early Mover Advantage In the Low-Cost, Long-haul Segment Globally, Which Is Poised For Substantial Growth In The Coming Years**

  Early movers in the LCC industry, such as Southwest Airlines in North America, Ryanair and Easyjet in Europe and AirAsia in Southeast Asia, remain successful leaders in their respective markets, even after entry by other competing LCCs. Early movers have a significant advantage from experience accumulated over their years of operation, leading to an institutionalised knowledge base and skill set within their organisations, allowing them to keep growing at a faster pace and deploy resources more effectively than new entrants.

  We believe we have a similar opportunity to be a market leader in the global low-cost, Long-haul segment, which we believe is poised for substantial growth, similar to the levels that occurred in Short-haul air travel markets with the introduction of LCC services. Based on the demand we have stimulated in the markets we serve, we believe Long-haul air travel is similarly price-elastic and poised for comparable high growth with the introduction of lower fares for consumers.

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

We believe our early mover advantage gives us a strong competitive advantage over new entrants in the segment and will enable us to continue to lead the segment in the coming years.

- **We Operate In Some of the Largest and Fastest Growing Aviation Markets in The World**

We are well positioned to serve key growth markets around the world from our hub in Kuala Lumpur. Our strong positioning in the Asia Pacific Region in particular allows us to benefit from further expected growth in these markets. According to S-A-P, passenger volumes, measured in RPK, from 2011 to 2031 on routes within the Asia Pacific Region, routes within Southeast Asia, routes between Southeast Asia and Oceania, routes between Southeast Asia and China and routes between the Asia Pacific Region and the Middle East are estimated to grow significantly faster than RPK growth globally. With an estimated population of 3.4 billion in 2012, and projected growth by up to an additional 164.0 million by 2017 according to S-A-P, the Asia Pacific Region will continue to be a large and attractive feeder market for our Long-haul routes.

We also believe that we operate in an underpenetrated home market relative to other major Asian airports in terms of Long-haul flights. We believe our home market provides additional growth opportunities for us to serve some of the world's largest and fastest-growing aviation markets.

- **We Believe That We Have the Lowest Unit Operating Cost Base of Any Airline in the World**

As a result of our high aircraft utilisation, high seat density, modern, fuel-efficient and focused aircraft type fleet, high labour productivity, streamlined airport operations and lower marketing and sales costs, we believe that we have the lowest unit operating cost base of any airline in the world[4]. Our CASK and CASK (excluding fuel) was US¢3.74 and US¢1.90, respectively, for 2012, which was 67.3% and 75.3% lower, respectively, than the average CASK and CASK (excluding fuel) of the 10 largest FSCs based in the Asia Pacific Region (ranked by operating revenue) that reported these figures.

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

- **We Have Developed a High-Quality Operating Model and Product**

  Even though we operate with a low unit cost, we strive to deliver a high-quality operating model to satisfy the needs of Long-haul passengers both in terms of comfort and reliability. We operate one of the youngest wide-body fleets in the Asia Pacific Region. Our operating fleet (excluding the new A330-300 delivered to us in April 2013) had an average age of 4.9 years as of March 2013, compared to an average of 9.1 years for the wide-body fleet of carriers based in the Asia Pacific Region (excluding AirAsia X)[(5)], according to S-A-P and our newer aircraft offer a better cabin experience for passengers. We operate with a high degree of operational reliability; in 2012, we achieved a technical dispatch reliability rate of 99.4%. In addition, in 2012 we achieved an on-time performance rate of 85.0%, compared to an average of 84.2% for FSCs based in the Asia Pacific Region[(6)] and an average of 81.4% for LCCs based in the Asia Pacific Region[(6)] (source: S-A-P). Furthermore, we scored 7.6 out of 10 in the Skytrax airline customer review rating reported as of March 2013, compared to an average of 8.3 for 5-star airlines[(7)], an average of 7.0 for FSCs[(7)], and an average of 6.1 for LCCs[(7)] (excluding AirAsia X), based in the Asia Pacific Region (source: S-A-P).

- **We Have One of the Highest Ancillary Revenue Per Passenger Levels Among Airlines That Report Such Figures**

  Our focus on developing innovative ancillary revenue streams has enabled us to achieve one of the highest ancillary revenue per passenger levels in the aviation industry. We produced ancillary revenue per passenger of USD46.07 and USD48.82 in 2012 and the 3 months ended 31 March 2013, respectively. According to S-A-P, our ancillary revenue per passenger in 2010 of USD38.92 was the highest and that of USD40.09 in 2011 was fourth highest among global airlines reporting ancillary income. These results can be attributed to a higher propensity for passengers on Long-haul flights to purchase food, merchandise and other products due to longer flight durations. Our high ancillary revenue per passenger can also be attributed to our innovation in providing new and attractive pre-flight and on-board purchase options to our passengers.

- **As a Member of the AirAsia Group, We Are Able to Benefit From the AirAsia Brand, Cross Selling Opportunities and the Group's Collective Purchasing Power**

  Since commencement of operations, we have leveraged the strength of the global AirAsia brand, which has enabled us to minimise both our start-up costs and time-to-market. The AirAsia brand enjoys global visibility and recognition. We also leverage the AirAsia Group's larger customer base and extensive Short-haul feeder network to market our Long-haul services. Finally, the combined economic size of the AirAsia Group affords us more bargaining power to negotiate aircraft and component purchases, leasing and financing contracts and fuel purchases.

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(5) *Based on those carriers in the Asia Pacific Region that operate a significant number of wide-body aircraft and that S-A-P believes provide a relevant basis for comparison*

(6) *Based on the top 10 (ranked by operating revenue) FSCs/LCCs in Asia which reported financial and operating performance, that have available data for the latest 12 month periods*

(7) *Based on major FSCs/LCCs in the Asia Pacific Region that S-A-P believes provide a relevant basis for comparison and have available data*

- **We Have An Experienced and Stress Tested Management Team and Shareholders**

  Our key management team, led by Azran Bin Osman Rani, has extensive managerial experience and technical competencies. Most of our key management team members, including Azran Bin Osman Rani, have been at our Company since the start of our Long-haul operations. We believe the experience and expertise of our key management team, and their track record of working together, have contributed significantly to our growing operations. Furthermore, our strong management team is guided by our experienced Board of Directors and shareholders, who bring a wealth of experience in the LCC and other industries.

Please refer to Section 7.2 of this Prospectus for further information on our competitive strengths.

3.3 Strategies and Future Plans

Our vision is to be a leading Long-haul LCC globally and to create, together with other carriers of the AirAsia Group, the first global, multi-hub low-cost carrier network. The main components of our strategy are to:

- **Expand Our Passenger Base By Growing Our Route Network and Increasing Our Hubs of Operations**

  The strategic principle underlying our choice of routes to operate is a focus on markets with the highest growth potential and where we can build a market leadership position. Our expansion strategy from the current network of 14 routes in 7 markets we serve from Kuala Lumpur will be based on stimulating demand and increasing frequencies on existing core routes, opening new routes in existing core markets, establishing routes in new markets in the medium term and creating new hubs.

- **Grow our Fleet of New, Fuel-Efficient Aircraft to Meet Passenger Demand and Our Expanding Route Mix**

  Our fleet plan is focused on increasing our fleet size and maintaining a fleet of modern and focused type aircraft. We intend to increase our operating fleet size to 32 by 2016 through a mixed strategy of purchasing and leasing aircraft in order to execute our route development plan. We anticipate that we will fly only A330-300s and A350-900s going forward and expect that the greater fuel efficiency and the longer range of the A350-900 will enable us to fly to destinations that would not be commercially feasible with our current fleet.

- **Strengthen the AirAsia Brand In Our Markets and Maintain High Customer Satisfaction**

  We intend to continue to invest in promoting the awareness and acceptance of the AirAsia brand in our markets through continued aggressive and innovative direct-to-consumer marketing (including marketing our brand, the appeal of our destinations, and our promotional fares), leveraging the branding, digital media and global sponsorship activities of the AirAsia Group, including using the AirAsia Expedia platforms and the AirAsia BIG loyalty programme, and increasing the profile and visibility of the brand on traditional and new media through engaging communications strategies. In addition, we have implemented a comprehensive customer management programme, including regularly collecting customer feedback from surveys, focusing on key passenger touch points and continuously improving our service delivery and customer advocacy and loyalty.

- **Maximise Passenger Revenue and Develop Ancillary Revenue Streams**

  We intend to maximise our revenue by capitalising on the potential for increases in passenger seat sales due to the increasing maturity of our routes, the use of our dynamic revenue management system in order to manage revenue from passenger seat sales and maximising and introducing new sources of ancillary revenue.

- **Continue to Implement Initiatives to Strengthen Our Operations Quality and Cost Structure**

  By maintaining our global cost leadership position, improving our operational reliability and implementing our integrated safety management system, we intend to strengthen the quality of our operations and improve our cost structure.

Please refer to Section 7.3 of this Prospectus for further information on our strategies and future plans.

3.4 Risk Factors

Our business is subject to many risks and uncertainties, including those highlighted in Section 5 of this Prospectus. Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks of such an investment. The challenges that we currently face or that may develop in the future may materially adversely affect our future operating results and performance. The factors that affect such operating results and performance include, but are not limited to, the following:

- **Terrorist attacks, natural disasters, epidemics and social and political unrest in the regions in which we operate.**

  The airline industry in general has suffered substantial losses in recent years as a result of terrorism, natural disasters, epidemics, social and political unrest and other global factors. Any of these types of events, or other events that are not within our control, may have a significant adverse impact on the demand for our services or increase our operating costs, either of which may have a material adverse impact on our financial condition and results of operations.

- **The general economic conditions in the markets in which we operate.**

  We currently conduct substantially all of our operations and generate substantially all of our revenue in the Asia Pacific Region. We expect to focus on network development in markets in the Asia Pacific Region and will prioritise capacity towards launching new routes and expanding frequency in the foreseeable future into several priority markets. Poor economic conditions in these key regions and other regions within which we operate would have an adverse effect on our business operations and financial condition.

- **The industry in which we operate is capital intensive and has high fixed costs.**

  The airline industry has high start-up and fixed costs due to the nature of the business. Any events that cause a shortfall in revenue levels without a corresponding decrease in fixed costs, would have a material adverse impact on our business and financial and operational conditions.

- **Our ability to compete with other airlines in a highly competitive industry.**

  There is intense competition in the airline industry between airlines. We may face direct competition from existing carriers or other new competitors in the future. Given the competitive nature of our industry, there is no assurance that we can maintain or expand our levels of market share, traffic volume and revenue in the future.

- **Our ability to obtain regulatory approvals and licences to operate in our existing markets and to gain access to new markets.**

  We require certain approvals, licences, registrations and permissions to operate our business, and we must comply with all regulations applicable to the operation of our business in order to retain those approvals, licences, registrations and permissions. If we fail to obtain any of these approvals or licences or renewals thereof in a timely manner or at all, our business could be adversely affected. Further, if we fail to comply with applicable regulations we may be subject to corrective measures and monitoring.

- **Our ability to successfully implement our growth strategy.**

  Our ability to increase our flight frequencies and our market share depends on our ability to obtain additional or new air traffic rights to airports situated within the targeted markets, and our ability to identify strategic routes in such markets for which such air traffic rights would be obtained. Our growth strategy also depends on our ability to obtain additional or new aircraft and the timely delivery of such aircraft, as well as on our ability to obtain adequate financing on reasonable terms for the acquisition of additional or new aircraft. There is no assurance of our success in increasing flight frequencies, establishing new markets or expanding our current market share, and any failure to do so would harm our business operations, financial condition, profitability and growth prospects.

- **Increases in fuel prices or limitations on fuel supply**.

  Fuel costs constitute a substantial portion of our operating expenses, amounting to an average of approximately 49.0% of our total operating expenses for each of the years from 2010 to 2012 and 47.4% of our total operating expenses for the 3 months ended 31 March 2013. As such, our operating results are significantly affected by changes in the availability and the cost of jet fuel. Any exorbitant increase in fuel price or a fuel shortage would have a material adverse effect on our financial results.

- **Increases in the cost of airport facilities and services, or any restrictions on access to such airport facilities and services.**

  We are dependent on the quantity and quality of airport infrastructure for our operations. There can be no assurance of the availability of these airport facilities or services on commercially acceptable terms to support our growth and expansion plans, and the lack of any of these facilities or services may have a material adverse effect on our business operations and financial results.

- **Problems that may be associated with the reliability or availability of the A330-300 and the engines we use.**

  As our business largely depends on procuring, operating and maintaining specific types of aircraft and engines, we are particularly vulnerable to any problems that might be associated with such aircraft or engine types. Our business would be significantly affected if there was a defect in the design or mechanics of such aircraft or engines.

- **Any accident or sufficiently disruptive or dangerous incident involving any of our aircraft or any AirAsia Group aircraft.**

  If any of our aircraft were lost or damaged due to either an accident or a sufficiently disruptive or dangerous incident, we would be exposed not only to potential significant losses due to required repairs or replacements of the affected aircraft and the temporary or permanent loss of use of that aircraft, but also the negative public perception of the quality of our airline's safety practices. Further, any accidents or other dangerous incidents involving other airlines in the AirAsia Group may be associated with our Company.

- **Our reliance on the AirAsia brand and on our association with the AirAsia Group.**

  Our success depends, in part, on our continued ability to use the AirAsia trade name and related trademarks in order to increase our brand awareness. Further, we rely substantially on our association with AirAsia Berhad and the other members of the AirAsia Group and on various shared services including, but not limited to, use of the brand name, information technology (including the www.airasia.com website through which 84% of our seats were sold for the year ended 31 December 2012), fuel procurement and hedging, and other services that provide negotiation strength and economies of scale through our association with the AirAsia Group. If we are unable to leverage the AirAsia trade name, business network, expertise and overall relationship with AirAsia Berhad and the AirAsia Group in any material respect, our business, results of operations and prospects would be materially and adversely affected.

- **Our ability to raise new equity and obtain financing for the expansion of our aircraft fleet.**

  In the past, we have required financing to acquire the aircraft in our fleet and we are most likely to require financing and incur significant amounts of debt in the future to fund the acquisition of additional aircraft. However, we cannot provide assurance that additional financing will be available to us on favourable terms or at all.

- **Our exposure to currency exchange rate movements.**

  As at 31 March 2013, 79.0% of our total borrowings of RM1.4 billion were denominated in USD. We are therefore exposed to any significant exchange rate movement of the USD. Furthermore, due to the geographic diversity of our business, we receive revenue and incur expenses in a variety of international currencies and therefore face currency exchange rate risks. Appreciation or depreciation in the value of the USD or other foreign currency relative to the RM, may have a significant impact on our financial results as reported in RM.

Please refer to Section 5 of this Prospectus for further information on the risks relating to our business and risks relating to an investment in our Shares.

3.5 Summary of Historical Consolidated Income Statements and Statements of Comprehensive Income and Cash Flow

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

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

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

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3. SUMMARY (cont'd)

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

* *Negligible*

3. SUMMARY (cont'd)

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Please refer to Section 12 of this Prospectus for further discussion on our income statements and statements of comprehensive income and cash flow.

3.6 Summary of Pro Forma Consolidated Balance Sheet

Presented below is the consolidated balance sheet of our Group as at 31 December 2012 based on the following:

(i) The audited consolidated balance sheet of our Group as at 31 December 2012 as presented in the Accountant's Reports in Section 13 of this Prospectus; and

(ii) On a pro forma basis giving effect to the completion of our IPO and related transactions, including the conversion of all outstanding RCPS into Shares, the subdivision of every 3 ordinary shares of RM1.00 each into 20 Shares, the issue and allotment of 9,850,000 Shares assuming all the ESOS Options pursuant to the Proposed Initial Grant are exercised and the completion of the Public Issue with the receipt of the estimated gross proceeds of RM859.3 million based on an assumed Institutional Price and Final Retail Price of RM1.45 per Share and the utilisation of such proceeds as described under Section 4.10 of this Prospectus, as if all such transactions had occurred as of 31 December 2012.

The pro forma consolidated balance sheet has been prepared on the basis set out in the notes in Section 12.22 of this Prospectus, using the consolidated financial statements prepared in accordance with MFRS and in a manner consistent with both the format of the consolidated financial statements and the accounting policies of our Group.

The pro forma consolidated balance sheet should be read in conjunction with the Reporting Accountants' letter as set forth in Section 12.22 of this Prospectus.

3. SUMMARY (cont'd)

	Audited As at 31 December 2012 RM 000	Pro Forma After IPO RM 000
Non-Current Assets		
Property, plant and equipment	1,325,822	1,605,822
Deferred tax assets	234,840	234,840
Deposits on aircraft purchase	418,395	418,395
Other deposits	126,058	126,058
	2,105,115	2,385,115
Current Assets		
Inventories	806	806
Receivables and prepayments	130,786	130,786
Amounts due from related parties	15,738	15,738
Deposits, cash and bank balances	173,951	443,684
Tax recoverable	1,711	1,711
	322,992	592,725
Less: Current Liabilities		
Trade and other payables	254,004	254,004
Amounts due to related parties	5,929	5,929
Sales in advance	195,188	200,904
Borrowings	521,045	275,236
	976,166	736,073
Net current (liabilities) / assets	(653,174)	(143,348)
Less: Non-Current Liability		
Borrowings	871,211	831,211
NET ASSETS	580,730	1,410,556
Capital and Reserves attributable to the equity holders of the Company		
Share capital	266,667	357,034
Share premium	215,832	975,548
Currency translation reserve	(66)	(66)
Retained earnings	98,297	78,040
SHAREHOLDERS' EQUITY	580,730	1,410,556
Number of ordinary shares of RM1.00 each ('000)	224,000	N/A
Number of RCPS ('000)	42,667	N/A
Total share capital ('000)	266,667	N/A
Number of ordinary shares of RM0.15 each ('000)	1,493,333[(1)]	2,380,220
Net tangible assets attributable to equity holders of the Company[(2)] (RM 000)	580,730	1,410,556
Net tangible assets attributable to equity holders of the Company per ordinary share[(3)] (sen)	38.9	59.3
Net assets attributable to equity holders of the Company[(4)] (RM 000)	580,730	1,410,556
Net assets attributable to equity holders of the Company per ordinary share[(5)] (sen)	38.9	59.3

Notes:

N/A *Not applicable*

(1) *Number of ordinary shares illustrated is assumed to be retrospectively adjusted after completion of the subdivision of 224,000,001 shares on the basis of every 3 ordinary shares of RM1.00 each subdivided into 20 ordinary shares of RM0.15 each.*

(2) *Net tangible assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company less intangible assets (if any).*

(3) *Net tangible assets attributable to equity holders of the Company per ordinary share = Net tangible assets attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each.*

(4) *Net assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company.*

(5) *Net assets attributable to equity holders of the Company per ordinary share = Equity attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each.*

Please refer to Section 12 of this Prospectus for further details on our financial position.

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3.7 Capitalisation and Indebtedness

The following information should be read in conjunction with the Reporting Accountants' letter and the pro forma consolidated balance sheet as at 31 December 2012 and the notes thereon set forth in Section 12.22 of this Prospectus and the Accountants' Report set forth in Section 13 of this Prospectus.

The table below sets out the deposits, cash and bank balances as well as capitalisation and indebtedness of our Group based on the audited consolidated balance sheet of our Group as at 31 December 2012 and based on the pro forma consolidated balance sheet as at 31 December 2012 set out in Section 12.21 of this Prospectus, on the assumption that our IPO and utilisation of proceeds therefrom had occurred on 31 December 2012. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 December 2012 and is provided for information purposes only. The total indebtedness of our Group is not guaranteed by any third party.

	Audited	Pro Forma
	As at 31 December 2012	After IPO
	RM 000	
Cash and cash equivalents[1]	173,951	443,684[4]
Indebtedness		
Short term debt		
Secured		
Term loans	100,027	100,027
Time loan	48,000	16,000
Unsecured		
Revolving credit	351,705	151,709
Commodity Murabahah Term Financing	21,313	7,500
	521,045	275,236
Long term debt		
Secured		
Term loans	739,336	739,336
Unsecured		
Revolving credit	131,875	91,875
	871,211	831,211
Total indebtedness[2]	1,392,256	1,106,447
Total shareholders' equity / capitalisation	580,730	1,410,556
Total capitalisation and indebtedness	1,972,986	2,517,003
Gearing ratio (times)[3]	2.4	0.8

Notes:

(1) *Cash and cash equivalents comprise deposits, cash and bank balances.*

(2) *Total indebtedness includes short term debts and long term debts.*

(3) *Computed based on total debts divided by total shareholders' equity. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in our Group's consolidated balance sheet).*

(4) *Comprised adjustments for gross proceeds from Public Issue of RM859.3 million less utilisation for capital expenditure of RM280.0 million, repayment of borrowings of RM285.8 million and estimated listing expenses of RM38.0 million and proceeds from the exercise of the Proposed Initial Grant pursuant to the ESOS of RM14.3 million.*

3.8 Particulars of our IPO

Our IPO consists of the Institutional Offering and the Retail Offering, totalling up to 790,123,500 IPO Shares. For avoidance of doubt, our IPO Shares offered under the Institutional Offering and Retail Offering do not include the Shares to be offered under the Over-allotment Option.

3.8.1 Institutional Offering

Institutional Offering of up to 538,011,800 IPO Shares, representing approximately 22.7% of the enlarged issued and paid-up share capital of our Company, at the Institutional Price, subject to clawback and reallocation provisions, to be allocated in the following manner:

(i) up to 197,530,900 Offer Shares and 79,740,200 Issue Shares to Malaysian institutional and selected investors and foreign institutional and selected investors at the Institutional Price; and

(ii) 260,740,700 Issue Shares to Bumiputera institutional and selected investors approved by the MITI at the Institutional Price.

3.8.2 Retail Offering

Retail Offering of 252,111,700 Issue Shares, representing approximately 10.6% of the enlarged issued and paid-up share capital of our Company, at the Retail Price, payable in full upon application, subject to clawback and reallocation provisions, to be allocated in the following manner:

(i) 52,111,700 Issue Shares, representing approximately 2.1% of the enlarged issued and paid-up share capital of our Company, made available to the Eligible Persons;

(ii) 50,000,000 Issue Shares, representing approximately 2.1% of the enlarged issued and paid-up share capital of our Company, made available to the Eligible Passengers; and

(iii) 150,000,000 Issue Shares, representing approximately 6.4% of the enlarged issued and paid-up share capital of our Company, made available to the Malaysian public, of which 50% are reserved for subscription by Bumiputera public.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, and will be equal to the Institutional Price (subject that it will not exceed the Retail Price nor be lower than the par value of our Shares).

Please refer to Section 4 of this Prospectus for further information on the particulars of our IPO.

3.9 Utilisation of Proceeds

The Offer for Sale is expected to raise proceeds totalling RM286.4[(1)] million which will accrue entirely to the Selling Shareholders.

The gross proceeds from the Public Issue of RM859.3[(2)] million are expected to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM 000	%
Capital expenditure	Within 24 months	280,000	32.6
Repayment of bank borrowings	Within 3 months	285,809	33.3
General working capital	Within 12 months	255,450	29.7
Estimated listing expenses	Within 6 months	38,000	4.4
Total gross proceeds		**859,259**	**100.0**

Notes:

(1) We have assumed the Institutional Price to be RM1.45 per Share in arriving at this figure.

(2) We have assumed the Institutional Price and the Final Retail Price to be RM1.45 per Share in arriving at this figure.

Please refer to Section 4.10 of this Prospectus for further information on the utilisation of proceeds from our IPO.

3.10 Dividend Policy

Presently, our Company does not have any formal dividend policy. We have not paid any dividends to our shareholders since the incorporation of our Company and we are unlikely to pay any dividends in the immediate future due to our expected growth and expansion plans. Notwithstanding our current financial position, going forward, our Board intends to adopt a progressive dividend policy once we commence dividend payments, whereby we seek to increase dividend payouts in line with increases in our profitability. This is however, subject to the following factors and in the absence of any circumstances which may affect or restrict our ability to pay dividends.

The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Our ability to pay future dividends to our shareholders is subject to various factors including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plans. The payment of dividends may also be limited by restrictive covenants contained in our current and future financing agreements.

Please refer to Section 5.3.4 of this Prospectus for further details on the factors which may affect or restrict our ability to pay dividends.

4. DETAILS OF OUR INITIAL PUBLIC OFFERING

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated / transferred in the manner described below, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.3.6 and 4.3.7 of this Prospectus, respectively.

4.1 Opening and Closing of Applications

Applications for our IPO Shares under the Retail Offering will open at 10:00 a.m. on 10 June 2013 and will remain open until 5:00 p.m. on 19 June 2013 or such other date or dates as our Directors and the Joint Managing Underwriters in their absolute discretion may mutually decide.

4.2 Indicative Timetable

The following events are intended to take place on the following indicative dates:

Events	Date
Opening of Institutional Offering	10 June 2013
Issuance of Prospectus/ Opening of Retail Offering	10:00 a.m., 10 June 2013
Closing of Retail Offering	5:00 p.m., 19 June 2013
Closing of Institutional Offering	24 June 2013
Price Determination Date	24 June 2013
Balloting of applications for the Issue Shares pursuant to the Retail Offering	24 June 2013
Allotment/ Transfer of our IPO Shares to successful applicants	9 July 2013
Listing	10 July 2013

The Institutional Offering will close on the date stated above or such other date as our Directors, the Selling Shareholders and the Joint Global Coordinators may decide in their absolute discretion. The applications for the Retail Offering will close at the time and date stated above subject that our Directors and the Joint Managing Underwriters may decide in their absolute discretion to extend the closing time and date for applications to any later time(s) and/or date(s).

In the event that the closing date and/or time of either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting and allotment of the Issue Shares and the transfer of the Offer Shares and our Listing will be extended accordingly. We will announce any extension in a widely circulated Bahasa Malaysia language daily newspaper and a widely circulated English language daily newspaper within Malaysia.

4.3 Particulars of our IPO

Our IPO consists of the Institutional Offering and the Retail Offering, totalling up to 790,123,500 IPO Shares. For avoidance of doubt, our IPO Shares offered under the Institutional Offering and Retail Offering do not include the Shares to be offered under the Over-allotment Option.

4.3.1 Institutional Offering

Institutional Offering of up to 538,011,800 IPO Shares, representing approximately 22.7% of the enlarged issued and paid-up share capital of our Company, at the Institutional Price, subject to clawback and reallocation provisions, to be allocated in the following manner:

(i) up to 197,530,900 Offer Shares and 79,740,200 Issue Shares to Malaysian institutional and selected investors and foreign institutional and selected investors at the Institutional Price; and

(ii) 260,740,700 Issue Shares to Bumiputera institutional and selected investors approved by the MITI at the Institutional Price.

4.3.2 Retail Offering

Retail Offering of 252,111,700 Issue Shares, representing approximately 10.6% of the enlarged issued and paid-up share capital of our Company, at the Retail Price, payable in full upon application, subject to clawback and reallocation provisions, to be allocated in the following manner:

(i) 52,111,700 Issue Shares, representing approximately 2.1% of the enlarged issued and paid-up share capital of our Company, made available to the Eligible Persons;

(ii) 50,000,000 Issue Shares, representing approximately 2.1% of the enlarged issued and paid-up share capital of our Company, made available to the Eligible Passengers; and

(iii) 150,000,000 Issue Shares, representing approximately 6.4% of the enlarged issued and paid-up share capital of our Company, made available to the Malaysian public, of which 50% are reserved for subscription by Bumiputera public.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, and will be equal to the Institutional Price (subject that it will not exceed the Retail Price nor be lower than the par value of our Shares).

In the event the Final Retail Price is less than the Retail Price, the difference will be refunded to successful applicants of the Retail Offering, without any interest thereon. Refunds in the form of cheques will be despatched to the successful applicants or by crediting into the accounts of the successful applicants at their own risk.

Any Issue Shares not taken up by investors under Sections 4.3.2(i), (ii) and (iii) respectively, will be made available for application by investors under Section 4.3.1(i) with any remaining amounts under the Retail Offering thereafter underwritten by the Joint Underwriters, subject to the clawback and reallocation provisions and the Over-allotment Option in Sections 4.3.6 and 4.3.7 of this Prospectus, respectively.

In the event of significant excess application received under Section 4.3.2(iii) above, and subject to mutual agreement between the Joint Global Coordinators and our Company, our IPO Shares under Section 4.3.2(iii) may be increased up to a maximum of an additional 277,271,100 IPO Shares, representing approximately 11.7% of the enlarged issued and paid-up share capital of our Company. The increase in IPO Shares shall be reallocated by the same number of IPO Shares from those available under Section 4.3.1(i) above, with corresponding decrease in Section 4.3.1(i). In considering whether to increase the Retail Offering, several factors need to be taken into account including, amongst others, the level of retail demand, institutional demand, the profile of institutional investors, recent IPO performance as well as the general market condition.

4.3.3 Summary of IPO Shares to be Allocated

A summary of our IPO Shares allocated under the Retail Offering and the Institutional Offering is indicated in the table below (subject to clawback and reallocation provisions and the Over-allotment Option) in the following manner:

	Offer Shares		Issue Shares		Total	
	No. of Shares	% of enlarged share capital$^{(i)}$	No. of Shares	% of enlarged share capital$^{(i)}$	No. of Shares	% of enlarged share capital$^{(i)}$
Retail Offering:						
Malaysian public (via balloting)						
- Bumiputera	-	-	75,000,000	3.2	75,000,000	3.2
- Non-Bumiputera	-	-	75,000,000	3.2	75,000,000	3.2
Eligible Persons	-	-	52,111,700	2.1	52,111,700	2.1
Eligible Passengers	-	-	50,000,000	2.1	50,000,000	2.1
Total	**-**	**-**	**252,111,700**	**10.6**	**252,111,700**	**10.6**
Institutional Offering:						
Bumiputera investors approved by MITI	-	-	260,740,700	11.0	260,740,700	11.0
Other Malaysian and foreign institutional and selected investors	197,530,900	8.3	79,740,200	3.4	277,271,100	11.7
Total	**197,530,900**	**8.3**	**340,480,900**	**14.4**	**538,011,800**	**22.7**
Grand Total	**197,530,900**	**8.3**	**592,592,600**	**25.0**	**790,123,500**	**33.3**

Note:

(i) Based on the enlarged issued and paid-up share capital of 2,370,370,387 Shares after the conversion of all the 42,666,667 RCPS by AirAsia Berhad into 42,666,667 new ordinary shares of RM1.00 each on 10 May 2013 (before the subdivision of shares from a par value of RM1.00 to RM0.15 which was subsequently completed on 13 May 2013) and after taking into account the Public Issue.

The completion of the Institutional Offering and Retail Offering are inter-conditional. Our IPO is subject to the public spread requirement as per the Listing Requirements.

4.3.4 Details of Allocation to the Eligible Persons

A summary of allocation of 52,111,700 Issue Shares to the Eligible Persons is set out below:

Eligibility	Number of persons	Aggregate number of Issue Shares allocated
Eligible directors of our Group[(i)]	12	1,200,000
Eligible employees of our Group[(ii)]	Up to 1,440	45,553,300
Eligible persons who have contributed to the success of our Group[(iii)]	Up to 100	5,358,400
Total	**Up to 1,552**	**52,111,700**

Notes:

(i) *The criteria for allocation to our eligible directors are based on, amongst others, their respective roles, responsibilities and contribution to our Company. Each of our Directors (including alternate Directors) shall be allocated 100,000 Issue Shares for subscription.*

(ii) *The criteria for allocation to the eligible employees are based on, amongst others, staff grade, length of service and performance subject to completed minimum services of 6 months as at the date of this Prospectus. Our Board retains the discretion to determine the eligibility criteria of the eligible employees.*

The number of Issue Shares to be allocated to our key management is as follows:

Key management	***No. of Issue Shares to be allocated***
Azran Bin Osman Rani	*10,766,700*
Moses Devanayagam	*250,000*
Senthil Balan A/L Danapalan	*3,433,300*
Azhanudin Shah Bin Azman	*250,000*
Shelina Binti Razaly Wahi	*5,433,300*
Noraesyah Yvonne Binti Abdullah	*500,000*
Nadiah Tan Binti Abdullah	*250,000*
Total	***20,883,300***

(iii) *The criteria for allocation to Eligible Persons are based on, amongst others, their respective contribution to the success of our Group, and the nature, terms and duration of their respective business relationships with our Group.*

4.3.5 Details of Allocation to the Eligible Passengers

In recognition and appreciation of the support from our customers who had flown with us before, a total of 50,000,000 Issue Shares have been set aside under a restricted ballot for the Eligible Passengers.

Fee paying passengers who (i) have flown on our flights within 24 months prior to the date of this Prospectus; (ii) are BIG Members at the point of application for such Issue Shares; and (iii) are deemed to be Malaysian public individuals, shall be entitled to apply for the Issue Shares set aside under this category.

4.3.6 Clawback and Reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

(i) if our IPO Shares allocated to the Eligible Persons and/or the Eligible Passengers are not fully taken up, and there is a corresponding over-application by the Institutional Offering and/or the Malaysian public under the Retail Offering, our IPO Shares which are not taken up will be allocated to the Institutional Offering or the Malaysian public under the Retail Offering or a combination of both, at the discretion of the Joint Global Coordinators and our Company.

(ii) if our IPO Shares allocated to the Bumiputera investors approved by MITI are not fully taken up, and there is a corresponding over-application by the Malaysian institutional and selected investors and foreign institutional and selected investors under the Institutional Offering, our IPO Shares which are not taken up will be allocated to Malaysian institutional and selected investors and foreign institutional and selected investors under the Institutional Offering;

(iii) if there is an under-application in the Institutional Offering, and there is a corresponding over-application in the Retail Offering, subject to Sections 4.3.6(i) and (ii) above, our IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and

(iv) if there is an under-application in the Retail Offering and there is a corresponding over-application in the Institutional Offering, our IPO Shares will be clawed back from the Retail Offering and allocated to the Institutional Offering.

In the event of significant excess application received from the Malaysian public under the Retail Offering, and subject to mutual agreement between the Joint Global Coordinators and our Company, the Retail Offering for the Malaysian public as set out under Section 4.3.2(iii) above may be increased by up to a maximum of an additional 277,271,100 IPO Shares, by reallocating the same number of IPO Shares from those available under Section 4.3.1(i) above, with corresponding decrease in Section 4.3.1(i).

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4.3.7 Over-allotment Option

Orix Airline Holdings Limited and Manara Malaysia I Limited, who are also Selling Shareholders, may grant an Over-allotment Option to the Stabilising Manager (on behalf of the Joint Bookrunners and Co-Lead Managers), and may appoint the Stabilising Manager to undertake any price stabilisation actions. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may at their absolute discretion, over-allot Shares (on behalf of the Joint Bookrunners and Co-Lead Managers) and subsequent thereto, effect transactions which may stabilise or maintain the market price of our Shares at levels that might not otherwise prevail in the open market. Such transactions consist of bids or purchases to peg, fix or maintain the price of our Shares. If the Stabilising Manager creates a short position in our Shares in connection with the Institutional Offering, the Stabilising Manager may reduce that short position by purchasing our Shares in the open market.

The Stabilising Manager may also elect to reduce any short positions by exercising all or part of the Over-allotment Option. If granted, the Over-allotment Option will be exercisable in whole or in part by the Stabilising Manager, on one or more occasions, by giving written notice to Orix Airline Holdings Limited and Manara Malaysia I Limited at any time, within 30 days from the date of Listing to purchase from Orix Airline Holdings Limited and Manara Malaysia I Limited up to an aggregate of 118,518,525 Shares at the Institutional Price for each Share, representing up to 15% of the total number of IPO Shares offered, solely for purposes of covering over-allotments of our Shares (if any).

Subject to there being an over-allotment, the Stabilising Manager will (on behalf of the Joint Bookrunners and Co-Lead Managers) enter into the Share Lending Agreement with Orix Airline Holdings Limited and Manara Malaysia I Limited to borrow up to 118,518,525 Shares to cover over-allotments. Any Shares that may be borrowed by the Stabilising Manager under the Share Lending Agreement will be returned by the Stabilising Manager to Orix Airline Holdings Limited and Manara Malaysia I Limited either through the purchase of our Shares in the open market by the Stabilising Manager in the conduct of stabilisation activities or through the exercise of the Over-allotment Option by the Stabilising Manager, or a combination of both. The exercise of the Over-allotment Option will not increase the total number of Shares issued.

Purchases of a security to stabilise the price or to cover the over-allotment may cause the price of the security to be higher than it might be in the absence of these purchases. Such transactions may be effected on the Main Market and in other jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulations, including the CMSA and any regulations thereunder. The number of Shares that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may buy to undertake stabilising action, shall not exceed an aggregate of 118,518,525 Shares, representing up to 15% of the total number of IPO Shares offered. However, there is no obligation for the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) to undertake any such stabilising action. Such stabilising actions may commence on or after the commencement of trading of our Shares on the Main Market and, if commenced, may be discontinued at any time and cannot be effected after the earliest of (i) the date falling 30 days from the commencement of trading of our Shares on the Main Market; or (ii) the date when the Stabilising Manager has bought, on the Main Market, an aggregate of 118,518,525 Shares representing up to 15% of the total number of IPO Shares offered to undertake stabilising action.

Neither our Company, nor Orix Airline Holdings Limited and Manara Malaysia I Limited or the Stabilising Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Shares. In addition, neither our Company, nor Orix Airline Holdings Limited and Manara Malaysia I Limited or the Stabilising Manager makes any representation that the Stabilising Manager will engage in such transactions, or that such transactions once commenced, will not be discontinued without notice (unless such notice is required by law).

4.3.8 Share Capital

Upon the completion of our IPO, our share capital would be as follows:

	No. of Shares	RM
Authorised	3,333,333,333	500,000,000
Issued and fully paid-up		
Issued and fully paid-up as at the date of this Prospectus	1,777,777,787	266,666,668
To be issued and fully paid-up pursuant to the Public Issue	592,592,600	88,888,890
Enlarged share capital upon Listing	**2,370,370,387**	**355,555,558**

Note:

The Offer for Sale would not have any effect on our issued and paid-up share capital as the Offer Shares are already in existence prior to our IPO.

Based on the Retail Price of RM1.45 per IPO Share, the total market capitalisation of our Company upon the Listing shall be approximately RM3.4 billion.

We have implemented an ESOS for up to 10% of our total issued and paid-up share capital (excluding treasury shares) at any point in time during the existence of the scheme, further details of which are set out in Section 4.5 of this Prospectus.

4.3.9 Classes of Shares and Ranking

The Issue Shares and the new Shares issued pursuant to the exercise of the ESOS Options will, upon allotment and issue, rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date(s) of allotment.

The Offer Shares will rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date(s) of allotment.

Upon allotment and issue and subject to any special rights attaching to any shares which we may issue in the future, the shareholders of our Company shall, in proportion to the amount of paid-up on the Shares held by them, be entitled to share in the profits paid by us in the form of dividends and other distributions and any surplus in the event of our liquidation, in accordance with our Articles.

At every general meeting, each of our Company's shareholders shall be entitled to vote in person, by proxy or by attorney or other duly authorised representative and on a show of hands, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each Share held. A proxy may but need not be a member of our Company.

Our Articles prescribe a 45.0% limit on non-Malaysian ownership of our Company's issued and paid up share capital. A foreign shareholder whose acquisition of Shares is determined by our Board to have resulted in this limit being exceeded, taking into account the time of acquisition of such Shares, shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of and arising from such Shares, except for the voting rights in respect thereof. The voting rights of the affected Shares will be automatically reinstated when the foreign ownership limit has been restored.

Please refer to Section 15.3 on the "Limitation on the Right to Hold Securities and/or Exercise Voting Rights" of this Prospectus for further information.

4.3.10 Minimum Subscription

Notwithstanding that there is no minimum subscription of our IPO Shares, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of shares to be acquired will be the number of Shares required to be held by our Company's public shareholders in compliance with the public spread requirements being 25% of our enlarged issued and paid-up share capital (excluding treasury shares) as prescribed by Bursa Securities.

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4.4 Selling Shareholders

As at the date of this Prospectus, the Selling Shareholders are the beneficial owners (as indicated below) of 74.0% of the issued and paid-up share capital of our Company before our IPO. The Selling Shareholders (in the numbers indicated against each of their names below) will sell an aggregate of 197,530,900 Shares as part of our IPO. Consequently, upon completion of our IPO, the Selling Shareholders will hold an aggregate of 1,118,024,660 Shares, representing 47.2% of the enlarged issued and paid-up share capital of our Company.

The table below indicates the shareholding of each respective Selling Shareholder before and after our IPO exercise.

Shareholders	Material relationship with our Group	Address	Before our IPO(i)		Shares offered pursuant to the Offer for Sale(ii)		After our IPO(ii)	
			No. of Shares	%	No. of Shares	%	No. of Shares	%
Aero Ventures Sdn Bhd	Promoter and substantial shareholder	B-13-15, Level 13 Menara Prima Tower B Jalan PJU 1/39 Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan Malaysia	928,618,666	52.2	111,733,223	4.7	816,885,443	34.4
Orix Airline Holdings Limited	Substantial shareholder	2nd Floor Booterstown Hall Booterstown Avenue Booterstown, Co Dublin Ireland	193,468,447	10.9	42,898,838	1.8	150,569,609	6.4
Manara Malaysia I Limited	Substantial shareholder	P.O. Box 309GT, Ugland House South Church Street George Town, Grand Cayman Cayman Islands	193,468,447	10.9	42,898,839	1.8	150,569,608	6.4
Total			**1,315,555,560**	**74.0**	**197,530,900**	**8.3**	**1,118,024,660**	**47.2**

Notes:

(i) *Based on the existing issued and paid-up share capital of 1,777,777,787 Shares before the Public Issue but after the conversion of all the 42,666,667 RCPS by AirAsia Berhad into 42,666,667 new ordinary shares of RM1.00 each on 10 May 2013 (before the subdivision of shares from a par value of RM1.00 to RM0.15 which was subsequently completed on 13 May 2013).*

(ii) *Based on the enlarged issued and paid-up share capital of 2,370,370,387 Shares after the conversion of all the 42,666,667 RCPS by AirAsia Berhad into 42,666,667 new ordinary shares of RM1.00 each on 10 May 2013 (before the subdivision of shares from a par value of RM1.00 to RM0.15 which was subsequently completed on 13 May 2013) and after taking into account the Public Issue.*

4.5 ESOS

In conjunction with our Listing, we have implemented an ESOS, further details of which are set out as follows and in the By-Laws as set out in Annexure B of this Prospectus.

Prior to our Listing, a total of up to 9,850,000 ESOS Options are proposed to be granted to Eligible Employees. Details of the Proposed Initial Grant to our key management are as follows:

Details	No. of ESOS Options proposed to be granted
Moses Devanayagam	250,000
Senthil Balan A/L Danapalan	1,000,000
Azhanudin Shah Bin Azman	1,000,000
Noraesyah Yvonne Binti Abdullah	1,000,000
Nadiah Tan Binti Abdullah	1,000,000
Total	**4,250,000**

4.5.1 Maximum Number of Shares Offered

Pursuant to our ESOS, the maximum number of new Shares that may be issued (under the ESOS Options granted to the Eligible Directors and Eligible Employees), shall not exceed in aggregate, 10% of our total issued and paid-up share capital (excluding treasury shares) at any point in time during the existence of our ESOS.

4.5.2 Rationale and Objectives of the ESOS

The implementation of our ESOS primarily serves to recognise the contribution of the Eligible Directors and Eligible Employees whose services are valued and considered vital to the operations and continued growth of our Group and to inculcate a greater sense of belonging and dedication as the Eligible Directors and Eligible Employees are given the opportunity to participate directly in the equity of our Company.

4.5.3 ESOS Options

The ESOS Committee to be appointed and duly authorised by our Board (and governed by the By-Laws) may, at its absolute discretion, offer such number of ESOS Options to the Eligible Directors and Eligible Employees during the subsistence of our ESOS, provided that such number of new Shares issued under the ESOS Options granted shall not exceed the maximum number permitted under the Listing Requirements, our By-Laws and any laws, regulations and guidelines issued by other relevant authorities.

An Eligible Director or Eligible Employee who accepts an offer of ESOS Option must return, on or before the expiry date, the duly completed prescribed acceptance form accompanied by the payment of the sum of RM1.00 as a consideration for acceptance of that offer. If that offer is not accepted in such manner, the offer shall, upon the expiry date, automatically lapse and be null and void.

The subscription price, subject to any adjustments in accordance with our By-Laws, which is payable when an Eligible Person subscribes for new Shares pursuant to the ESOS Option in respect of any offer which is made in conjunction with or prior to our Company's listing on the Main Market shall be the Final Retail Price.

Subject to any adjustments in accordance with our By-Laws, the subscription price to which an Eligible Director or Eligible Employee is entitled to take up the new Shares pursuant to the ESOS Options granted shall be the higher of:

(i) the 5-day weighted average market price of our Shares immediately preceding the date of offer, with a discount of not more than 10% at our ESOS Committee's discretion; or

(ii) par value of our Shares.

4.5.4 Duration of the ESOS

Our ESOS shall be in force for a period of 5 years which may be extended or renewed, as the case may be, for a further period of up to 5 years, at the sole and absolute discretion of our Board upon recommendation by our ESOS Committee, provided that the initial ESOS period and such extension of our ESOS made pursuant to our By-Laws shall not, in aggregate, exceed a duration of 10 years from the date our initial ESOS takes effect.

4.5.5 Ranking of the New Shares Arising From the Exercise of the ESOS Options

The new Shares arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank *parri passu* in all respects with our then existing Shares, except that the new Shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new Shares.

4.6 The Inaugural Benefit

All successful investors of our IPO from the Malaysian public and Eligible Passengers allocation of the Retail Offering will be entitled to take part in and enjoy the benefits accorded under the Inaugural Benefit subject to being eligible and in accordance with its terms and conditions set out in Annexure C of this Prospectus. The Inaugural Benefit is introduced under our Shareholders' Benefit Programme which may include other forms of benefits to be introduced in the future. Please refer to Section 7.7.2 of this Prospectus for more details regarding our Shareholders' Benefit Programme.

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4.7 Basis of Arriving at the Institutional Price, Retail Price and the Final Retail Price

4.7.1 Institutional Price

The Institutional Price will be determined by a bookbuilding process wherein prospective institutional investors will be invited to bid for portions of the Institutional Offering by specifying the number of Issue Shares they would be prepared to acquire and the price they would be prepared to pay for such IPO Shares. This bookbuilding process commenced on 10 June 2013 and will end on 24 June 2013 or such time, date or dates as our Directors, the Selling Shareholders and the Joint Global Coordinators in their absolute discretion may decide. Upon the completion of the bookbuilding process, the Institutional Price will be fixed between our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators and the Joint Bookrunners on the Price Determination Date.

4.7.2 Retail Price

The Retail Price of RM1.45 per Issue Share was determined and agreed upon between our Directors, Principal Adviser, Joint Global Coordinators, Joint Bookrunners and the Joint Managing Underwriters, after taking into consideration the following factors:

(i) our financial performance and operating history as described in Section 12 of this Prospectus;

(ii) our competitive strengths, business strategies and future plans as outlined in Sections 7.2 and 7.3 of this Prospectus;

(iii) the future outlook of the industry in which we operate, as described in Section 8 of this Prospectus; and

(iv) the prevailing market conditions which include among others, current market trends and investors' sentiments.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, and will be equal to the Institutional Price, subject that it will not exceed the Retail Price, nor lower than the par value of our Shares.

In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded to successful applicants of the Retail Offering, without any interest thereon. Please refer to Section 4.7.3 for further details on the refund mechanism.

The Final Retail Price and the Institutional Price are expected to be announced within 2 Market Days from the Price Determination Date in widely circulated Bahasa Malaysia and English language daily newspapers within Malaysia. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with notices of allotment.

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4.7.3 Refund Mechanism

In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded to successful applicants of the Retail Offering, without any interest thereon. The refund in the form of cheques will be despatched by ordinary post to the successful applicants at their address as stated in Bursa Depository's records for applications made via the Application Form or by crediting into the accounts of the successful applicants for applications made via the Electronic Share Application or the Internet Share Application, within 2 Market Days after receiving confirmation from the Issuing House.

Prior to our IPO, there has been no trading market for our Shares within or outside Malaysia. You are reminded to consider carefully the risk factors as set out in Section 5 of this Prospectus.

4.8 Objectives of our IPO

The objectives of our IPO are as follows:

(i) to create a cost-effective fund-raising platform and financial flexibility by providing our Company access to the Malaysian equity capital market;

(ii) to enable the creation of a liquid market in our Shares;

(iii) to enhance our stature in the aviation industry and expand our market position;

(iv) to provide an opportunity for the investing community including Bumiputera investors, the Eligible Persons and other institutional selected investors to become our shareholders and to participate in our Company's future performance; and

(v) to raise funds for the purposes as set out in Section 4.10 of this Prospectus.

4.9 Dilution

Dilution is the amount by which the price paid by retail and institutional investors for our Shares exceeds our net tangible assets per Share after giving effect to our IPO. Our latest available audited consolidated net tangible assets per Share as at 31 December 2012 was RM0.39 per Share.

Once the issuance of 592,592,600 IPO Shares is effected and after further adjusting for the estimated listing expenses, our pro forma consolidated net tangible assets per Share as at 31 December 2012 after taking into account our Company's enlarged and issued paid-up share capital of 2,380,220,387 Shares (taking into account the issue and allotment of 9,850,000 Shares assuming all the ESOS Options pursuant to the Proposed Initial Grant are exercised) would be RM0.59 per Share. This represents an immediate increase in net tangible assets per Share of RM0.20 to our existing shareholders and an immediate dilution in net tangible assets per Share of RM0.86, representing 59.3% of the Retail Price and the Institutional Price to our retail and institutional investors, on the assumption that the Institutional Price and the Final Retail Price will be equal to the Retail Price. Please see Section 12.21 of this Prospectus for further details of our net tangible assets per Share figures.

The following table illustrates such dilution on a per Share basis on the assumption that the Retail Price is equal to the Final Retail Price and the Institutional Price.

	RM
Retail Price	1.45
Institutional Price	1.45
Net tangible assets per Share as at 31 December 2012, before adjusting for our IPO	0.39
Net tangible assets per Share as at 31 December 2012, after adjusting for our IPO	0.59
Increase in net tangible assets per Share to existing shareholders	0.20
Dilution in net tangible assets per Share to retail investors	0.86
Dilution in net tangible assets per Share to institutional investors	0.86

Save as disclosed below, none of our substantial shareholders, Directors or key management, or persons connected to them had acquired and/or subscribed for our Shares in the past 3 years up to the LPD:

Substantial shareholders/ Directors	No. of Shares[1]	Total Consideration (RM)	Average price per Share (RM)
Tan Sri Dr. Anthony Francis Fernandes	35,223,907	14,221,103[2]	0.40[2]
Dato' Kamarudin Bin Meranun	66,356,360	26,790,344[2]	0.40[2]
Dato' Seri Kalimullah Bin Masheerul Hassan	16,070,447	6,488,192[2]	0.40[2]
Lim Kian Onn	16,070,447	6,488,192[2]	0.40[2]
AirAsia Berhad	41,686,127	16,830,121[2]	0.40[2]
Aero Ventures Sdn Bhd	395,285,333	59,292,800	0.15
Orix Airline Holdings Limited	82,357,333	12,353,600	0.15
Manara Malaysia I Limited	82,357,333	12,353,600	0.15

Notes:

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

(2) *Translated based on the exchange rate of USD1.00 : RM3.19 as at 28 June 2012, being the date of transaction.*

4.10 Utilisation of Proceeds

The Offer for Sale is expected to raise proceeds totalling RM286.4[(1)] million which will accrue entirely to the Selling Shareholders.

The gross proceeds from the Public Issue of RM859.3[(2)] million are expected to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM 000	%
Capital expenditure[(3)]	Within 24 months	280,000	32.6
Repayment of bank borrowings[(4)]	Within 3 months	285,809	33.3
General working capital[(5)]	Within 12 months	255,450	29.7
Estimated listing expenses[(6)]	Within 6 months	38,000	4.4
Total gross proceeds		**859,259**	**100.0**

Notes:

(1) *We have assumed the Institutional Price to be RM1.45 per Share in arriving at this figure.*

(2) *We have assumed the Institutional Price and the Final Retail Price to be RM1.45 per Share in arriving at this figure.*

(3) *Our capital expenditure requirements are principally associated with the acquisition of engineering and aircraft related equipment and parts, as well as the expansion cost for the setting up of our new hubs going forward, details of which are as set out below:*

	RM 000
Engineering equipment, tools and spare parts	*80,000*
Aircraft spare parts	*100,000*
Expansion cost for setting up of new hubs	*100,000*
Total planned capital expenditure	***280,000***

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4. DETAILS OF OUR INITIAL PUBLIC OFFERING (cont'd)

(4) *The proposed repayment of bank borrowings is as set out below. The bank borrowings were selected for repayment after taking into consideration the interest rates, as well as the tenure of the facilities which are to be settled via the IPO proceeds, namely the Commodity Murabahah term financing, the RM100.0 million revolving credit and the time loan. The interest savings from the repayment of these borrowings are set out under (ii) below.*

Facility	*Amount outstanding as the LPD RM 000*	*Proposed repayment RM 000*	*Interest rate (% per annum) / maturity*	*Purpose of borrowing*
Commodity Murabahah Term Financing (Islamic)	*13,813*	*13,813*	*6.75% / 19 September 2013*	*Refinancing of an existing syndicated facility from 2 lenders and for general working capital requirements*
Short term revolving credit (Islamic)	*40,000*	*40,000*	*6.48% / 6 December 2016*	*General working capital requirements*
Revolving credit	*100,000*	*100,000*	*6.67% / 30 June 2013**	*General working capital requirements*
Time loan	*32,000*	*32,000*	*4.77% / 2 September 2013*	*Payment of security deposits in aircraft operating leases and general corporate purpose requirements*
Revolving credit	*99,996*	*99,996*	*4.98% / October 2013*	*Working capital requirements with regards to fuel payments*
Total		***285,809***		

* *We have subsequently applied for an extension of the maturity of this facility to 31 July 2013.*

(5) *Proceeds in excess of the amounts allocated for listing expenses (which may be in excess or less than the estimated amount) will be utilised for general working capital requirements of our Group, including financing our daily operations and operating expenses, which include sales and marketing expenses, general administrative and other operating expenses, as well as for general corporate purposes. Conversely, any shortfall in proceeds raised will be adjusted accordingly to the general working capital requirements.*

(6) *The expenses of the Public Issue to be borne by us are estimated to be RM38.0 million which will comprise the following:*

	RM 000
Estimated professional fees	*9,161*
*Brokerage, underwriting commission and placement fees**	*23,309*
Marketing related expenses such as travel and roadshow expenses incurred in connection with the IPO	*2,628*
Other fees and miscellaneous expenses and contingencies	*2,902*
Total estimated listing expenses	***38,000***

* *The fees to be borne by the Selling Shareholders and the Over-Allotment Option provider which are excluded from the above, is estimated to be up to RM7.2 million and up to RM4.3 million, respectively.*

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

Our utilisation of the proceeds is expected to have the following financial impact on our Group:

(i) Fleet Expansion

We intend to utilise part of the proceeds from our IPO to repay a portion of our borrowings, including that used to finance the security deposits paid in respect of additional aircraft deliveries under operating leases in 2013 and 2014 as described above. We believe the expansion of our fleet is expected to improve our financial performance over the coming years.

(ii) Interest Savings

Part of the proceeds from the Public Issue will be used to repay a portion of our outstanding borrowings. Based on the respective rates of our borrowings to be repaid, we expect interest savings of approximately RM16.7 million per annum.

Furthermore, the borrowings to be repaid from the proceeds from the Public Issue represent those which generally have relatively higher interest rates. Specifically, the interest rates for the borrowings to be repaid range from 4.77% to 6.75% per annum, or equivalent to a weighted average of 5.84%, as compared to the interest rates of our other term loans ranging from 2.82% and 5.45% per annum.

(iii) Enhancement of Capital Structure

With an increase in our shareholders' funds and the repayment of a portion of our outstanding borrowings, we expect our gearing level (defined as our total interest bearing borrowings over shareholders' funds) to decrease. It is our objective to reduce our gearing to enable our Group to have the flexibility to fund our expansion of operations and to raise financing as and when attractive opportunities arise.

The actual proceeds accruing to our Group will depend on the Institutional Price and the Final Retail Price. If the actual proceeds are higher than budgeted above, the excess will be utilised for general working capital purposes. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for general working capital will be reduced accordingly.

Pending the eventual utilisation of the proceeds from the Public Issue for the above intended purposes, we intend to place the proceeds raised (including accrued interest, if any) or the balance thereof as deposits with banks or licensed financial institutions or short term money market instruments.

4.11 Underwriting, Placement and Lock-Up Arrangements

4.11.1 Underwriting

We have on 27 May 2013 entered into the Retail Underwriting Agreement with, amongst others, the Joint Managing Underwriters and Joint Underwriters to underwrite 252,111,700 Issue Shares ("**Underwritten Shares**") to be issued under the Retail Offering, subject to clawback and reallocation provisions and the Over-allotment Option set out in Sections 4.3.6 and 4.3.7 of this Prospectus, respectively (the "**Retail Underwriting Agreement**").

The details of the underwriting commission are set out in Section 4.12.2 of this Prospectus while the salient terms of the Retail Underwriting Agreement are set out below.

Subject to certain conditions precedent set out in the Retail Underwriting Agreement, CIMB, KIBB, Maybank IB and RHB has each agreed to underwrite 50,422,340 Issue Shares, and AFFIN and MIDF has each agreed to underwrite 25,211,170 Issue Shares.

The Joint Managing Underwriters, acting on behalf of the majority of the Joint Underwriters, may by notice in writing to our Company and the Selling Shareholders at anytime before the Listing date, terminate, cancel and withdraw the Joint Underwriters' underwriting commitment if:

(i) there is any breach by our Company and/or the Selling Shareholders of any of the representations, warranties or undertakings set out in the Retail Underwriting Agreement in any respect;

(ii) our Company and/or the Selling Shareholders withhold any material information from the Joint Managing Underwriters and the Joint Underwriters, which, in the opinion of the Joint Managing Underwriters and Joint Underwriters, will likely have a material adverse effect on our financial and business conditions or our Company's and the Selling Shareholders' ability to perform our respective obligations under or to consummate the Retail Underwriting Agreement, the other transaction agreements pursuant to our IPO and this Prospectus ("**Material Adverse Effect**");

(iii) any event or series of events which are unpredictable and beyond the reasonable control of the Joint Managing Underwriters and the Joint Underwriters which could not have been avoided or prevented by reasonable foresight, planning and implementation ("**Force Majeure**") which would have or can reasonably be expected to have a Material Adverse Effect, or a material adverse effect on the success of our IPO, or which is likely to have the effect of making any material obligation under the Retail Underwriting Agreement incapable of being performed in accordance with its terms;

(iv) any government requisition or other occurrence of any nature whatsoever which would have or is likely to have a Material Adverse Effect, or a material adverse effect on the success of our IPO;

(v) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Joint Managing Underwriters and the Joint Underwriters would have or is likely to have a Material Adverse Effect, or a material adverse effect whether in the primary market or in respect of dealings in the secondary market. For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any business day:

    (a) on or after the date of the Retail Underwriting Agreement; and

    (b) prior to the closing date,

    lower than 90%, of the level of Index at the last close of normal trading on the relevant exchange on the business day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least 3 consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

(vi) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for 3 consecutive Market Days or more;

(vii) any new law or regulation or change in law, regulation, directive, policy or ruling in any jurisdiction which in the reasonable opinion of the Joint Managing Underwriters and the Joint Underwriters is likely to prejudice the success of our Listing or which is likely to have the effect of making any obligation under the Retail Underwriting Agreement incapable of being performed;

(viii) the Institutional Offering and/or the Retail Offering is stopped or delayed by the Selling Shareholders and/or our Company and/or the regulatory authorities for any reason whatsoever (unless such stoppage or delay has been approved by the Joint Managing Underwriters and the Joint Underwriters);

(ix) the Listing does not take place by 10 July 2013 or such other extended date as may be agreed by the Joint Managing Underwriters;

(x) any commencement of legal proceedings or action against any member of our Group or any Selling Shareholder or any of their directors, which in the opinion of the Joint Managing Underwriters and the Joint Underwriters, would have or likely to have a Material Adverse Effect, or make it impracticable to market our IPO or to enforce contracts to allot and/or transfer our Shares;

(xi) if the SC or any other relevant authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of the Joint Managing Underwriters and the Joint Underwriters (after consultation with us), impracticable to market our IPO or to enforce contracts to allot and transfer our Shares; or

(xii) the Placement Agreement(s) (as defined in Section 4.11.2 of this Prospectus) shall have been terminated or rescinded.

4.11.2 Placement

We and the Selling Shareholders expect to enter into a Placement Agreement(s) with the Joint Global Coordinators, the Joint Bookrunners and the Co-Lead Managers in relation to the placement of the 538,011,800 IPO Shares under the Institutional Offering, subject to clawback and reallocation provisions set out in Section 4.3.6 of this Prospectus (the "**Placement Agreement(s)**"). We and each of the Selling Shareholders will be requested to give various representations, warranties and undertakings and to indemnify the Joint Global Coordinators, the Joint Bookrunners and the Co-Lead Managers against certain liabilities in connection with the IPO.

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4.11.3 Lock-Up Arrangements

(i) In connection with the Placement Agreement(s), our Company has entered into a lock-up agreement with the Joint Global Coordinators and the Joint Bookrunners, under which our Company agrees that for a period of 180 days from the date of our Listing, our Company shall not, without the prior written consent of the Joint Global Coordinators, (a) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue, or issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance, or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for our Shares), whether any such transaction is to be settled by delivery of our Shares or such other securities, in cash or otherwise; (b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our Shares (or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive or are substantially similar to, our Shares), whether any such transaction is to be settled by delivery of our Shares or such other securities, in cash or otherwise; (c) deposit any Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, our Shares) in any depository receipt facilities; or (d) agree to do or announce any intention to do any of the above or an offering or sale of any of our Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the US Securities Act with respect to any of the foregoing, whereby the restrictions shall not apply to the IPO Shares and Shares and ESOS Options issued / granted pursuant to our ESOS; and

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(ii) In connection with the Placement Agreement(s), each of the Selling Shareholders, AirAsia Berhad, Dato' Kamarudin Bin Meranun, Tan Sri Dr. Anthony Francis Fernandes, Dato' Seri Kalimullah Bin Masheerul Hassan and Lim Kian Onn (collectively, the "**Parties**") has entered into a lock-up agreement with the Joint Global Coordinators and the Joint Bookrunners, under which the Parties agree that for a period of 180 days from the date of the Listing, the Parties shall not, without the prior written consent of the Joint Global Coordinators, (a) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue, or issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance, or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for our Shares), whether any such transaction is to be settled by delivery of our Shares or such other securities, in cash or otherwise; (b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our Shares (or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive or are substantially similar to, our Shares), whether any such transaction is to be settled by delivery of our Shares or such other securities, in cash or otherwise; (c) deposit any Shares (or any securities convertible into or exchangeable for, or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, our Shares) in any depository receipt facilities; (d) agree to do or announce any intention to do any of the above or an offering or sale of any of our Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the US Securities Act with respect to any of the foregoing; or (e) sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Shares.

4.12 Brokerage, Underwriting Commission and Placement Fees

4.12.1 Brokerage Fee

Our Company will pay brokerage relating to the Issue Shares under the Retail Offering, at the rate of 1.0% of the Final Retail Price per Issue Share in respect of all successful applications bearing the stamp of CIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Joint Global Coordinators and Joint Bookrunners are entitled to charge brokerage fees to successful applicants under the Institutional Offering. Any brokerage fees payable under the Institutional Offering will not be borne by our Company.

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4.12.2 Underwriting Commission

In accordance with the terms of the Retail Underwriting Agreement, the Joint Underwriters have agreed to underwrite the Issue Shares offered under the Retail Offering for a total underwriting commission of up to 2.0% of the Retail Price multiplied by the number of Shares offered under the Retail Offering. In the event of an increase in the number of IPO Shares under the Retail Offering as described in Section 4.3.2 of this Prospectus, the Joint Underwriters will also be entitled to a fee of up to 2.0% of the Retail Price multiplied by such number of IPO Shares reallocated to the Retail Offering, in accordance with the terms of the Retail Underwriting Agreement.

The abovementioned commissions shall be borne by our Company, in respect of Issue Shares or by the Selling Shareholders, in respect of Offer Shares (where applicable).

4.12.3 Placement Fee

We, in respect of the Issue Shares, and the Selling Shareholders, in respect of Offer Shares, will pay the Joint Global Coordinators, the Joint Bookrunners and Co-Lead Managers a placement fee and selling commission of up to 2.5% on the Institutional Price multiplied by the number of IPO Shares sold pursuant to the Institutional Offering.

For avoidance of doubt, we shall only bear the placement fee attributable to the 340,480,900 Issue Shares under the Institutional Offering whereas the Selling Shareholders shall, proportionately amongst themselves, bear the selling commission attributable to the 197,530,900 Offer Shares under the Institutional Offering.

4.13 Trading and Settlement in Secondary Market

Upon the listing of and quotation on Bursa Securities, our IPO Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS, which is operated by Bursa Depository. This will be effected in accordance with the Rules of Bursa Depository for the operation of CDS accounts, as amended from time to time and the provisions of the SICDA. Accordingly, we will not deliver share certificates to the subscribers for, or purchasers of our IPO Shares.

Beneficial owners of Shares are required under the Rules of Bursa Depository to maintain our IPO Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective CDS accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

Shares held in CDS accounts may not be withdrawn from the CDS except in the following instances:

(i) to facilitate a share buy-back;

(ii) to facilitate a conversion of debt securities;

(iii) to facilitate a corporate restructuring process;

(iv) where a body corporate is removed from the Official List;

(v) to facilitate a rectification of any error; and

(vi) in any other circumstances determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot board. Settlement of trades done on a "ready basis" on Bursa Securities generally takes place on the 3rd Market Day following the transaction date, and payment for the securities is generally settled on the 3rd Market Day following the transaction date.

It is expected that the Shares offered in our IPO will not commence trading on Bursa Securities until approximately 15 Market Days after the close of the Retail Offering. Subscribers of the Shares will not be able to sell or otherwise deal in the Shares (except by way of book-entry transfer to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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5. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia and in other countries in which we operate, whether presently or in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future. These and other risks, whether known or unknown, may have a material adverse effect on us or on our Shares.

5.1 Risks Relating to the Airline Industry

5.1.1 Our business may be adversely affected by terrorist attacks, natural disasters, epidemics and social and political unrest.

The airline industry in general has suffered substantial losses in recent years as a result of terrorism, natural disasters, epidemics, social and political unrest and other global factors. Terrorist attacks, such as those on 11 September 2001, natural disasters such as the 2011 Tōhoku earthquake and tsunami in Japan, epidemics such as avian influenza, Influenza A (H1N1) and Severe Acute Respiratory Syndrome (SARS), and volatility in social and political conditions in the regions in which we operate have in the past, and may in the future, cause substantial reductions in passenger demand, flight cancellations or delays and increases in our operating costs. For example, a series of earthquakes in Christchurch, especially the one in February 2011 resulted in severe damage to the city shortly before our inaugural flight, and followed by the earthquakes in June and December 2011 which hampered the post-earthquake rebuilding efforts. These have affected Christchurch's attractiveness as a tourist destination and contributed to our decision to withdraw from the Christchurch route. Our LBT for the Christchurch route amounted to approximately RM37.5 million for the year ended 31 December 2011, being the first year of operations of our Christchurch route.

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

5.1.2 Our business may be adversely affected by general economic conditions in the markets in which we operate.

We currently conduct substantially all of our operations and generate substantially all of our revenue in the Asia Pacific Region. We expect to focus on network development in markets in the Asia Pacific Region and will prioritise capacity towards launching new routes and expanding frequency in the foreseeable future into several priority markets, namely (1) Australia, (2) China, (3) Taiwan, (4) Japan and (5) Korea. The success of our business depends substantially on the general economic conditions in these regions, and poor economic conditions in the other regions within which we operate would have an adverse effect on our business operations and financial condition. For example, the eurozone crisis had contributed to our decision to withdraw from our London and Paris routes, while the challenging economic and business conditions in Iran, including the volatility of the Iranian currency, had contributed to our decision to terminate our service to Tehran. Our London and Paris routes contributed an aggregated LBT of approximately RM92.7 million, while our Tehran route contributed a LBT of approximately RM1.2 million, for the year ended 31 December 2011. For the year ended 31 December 2012, our London and Paris routes contributed an aggregated LBT of approximately RM65.9 million.

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

5.1.3 The airline industry is capital intensive and has high fixed costs.

The airline industry has high start-up and fixed costs due to the nature of the business. High fixed costs within the airline industry primarily relate to the acquisition of aircraft and related financing commitments. As such, to finance the expansion of our aircraft fleet, we may incur a significant amount of debt, and inability to obtain adequate financing for that purpose may impact the implementation of our growth strategy. Please refer to Sections 5.2.3 and 5.2.17 of this Prospectus for further details.

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

5.2 Risks Relating To Our Business and Our Operations

5.2.1 We operate in a very competitive industry, where our performance will significantly depend on how effectively we compete with other airlines.

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

We may face direct competition from existing carriers or other new competitors in the future, either on our current routes or on new routes that we add to our network. Other carriers in the low-cost, Long-haul segment in the region in which we operate include Australia's Jetstar and, more recently, Singapore's Scoot. The Philippines' Cebu Pacific is expected to launch a low-cost, Long-haul operation in October 2013. Our existing and future competitors in the low-cost, Long-haul market may attempt to undercut our fares in the future or increase their capacity on common routes in an effort to increase their market share. In such event, there is no assurance that our levels of market share, traffic volume and revenue will be unaffected.

As many FSCs generally have the advantage of being larger, with greater resources (whether financial or otherwise), they may be in a better position to withstand losses on some of their routes for a longer period of time. In the event any airline were to reduce its fares to levels that we could not match (while sustaining operations) and were to maintain those reduced fares for an extended period of time, there can be no assurance that we would be able to remain competitive and match those reduced fares for an equivalent period of time.

5.2.2 We depend on regulatory approvals and licences to operate in our existing markets and to gain access to new markets.

We require certain approvals, licences, registrations and permissions to operate our business, and we must comply with all regulations applicable to the operation of our business in order to retain those approvals, licences, registrations and permissions. We have no control over the regulations that apply to our business and there can be no assurance that we will obtain all the necessary approvals and licences for our business operations. If we fail to obtain any of these approvals or licences or renewals thereof in a timely manner or at all, our business could be adversely affected. Further, if we fail to comply with applicable regulations we may be subject to corrective measures and monitoring by the relevant governmental bodies in order to maintain our licences and approvals, or we may lose our licences and approvals, either of which may have a material adverse effect on our business operations.

We are required to hold an AOC which is granted, and is subject to conditions imposed by the DCA. Our AOC is valid for a prescribed period following which an application for renewal has to be made. Our current AOC was issued on 13 September 2012 and is subject to renewal upon expiry on 30 September 2014. To operate either scheduled or non-scheduled air transport services in Malaysia, we are also required to obtain an ASL from the DCA. Our current ASL was issued on 10 May 2013, and is subject to renewal upon expiry on 30 September 2014. There can be no assurance that a new AOC and ASL will be granted to us upon the expiry of each current AOC and ASL, without which we will not be able to operate air services.

For each route we operate, we are required to hold the requisite licences, permits and approvals from the countries to and over which we fly. The validity of each licence, permit or approval varies by country. If any licence, permit or approval is revoked or not renewed upon its expiry or if such renewal is on less favourable terms, we may not be able to operate on the affected route or may have to operate at a reduced frequency. In addition, the actions of Malaysian authorities responsible for overseeing Malaysian airlines and other third parties that we have no control over may adversely affect us. Please refer to Section 7.9.5 of this Prospectus for further details on the regulations that apply to us and our major licences, permits and approvals.

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5.2.3 We may not be successful in implementing our growth strategy.

Our growth strategy involves expanding our market share by increasing the frequency of flights to the markets we currently serve, as well as increasing the number of markets we serve. Our ability to increase our flight frequencies and our market share depends on our ability to obtain additional or new air traffic rights to airports situated within the targeted markets, our ability to establish new hubs and our ability to identify strategic routes in such markets for which such air traffic rights would be obtained. Any restriction or delay in our ability to obtain such air traffic rights and suitable time slots or in our ability to fly those routes and achieve those desired frequencies could have a material adverse effect on our growth strategy. Our growth strategy also depends on our ability to obtain additional or new aircraft and the timely delivery of such aircraft, as well as on our ability to obtain adequate financing on reasonable terms for the acquisition of additional or new aircraft. Please refer to Section 5.2.17 of this Prospectus for further details.

The introduction of new routes or new hubs may not be successful, in which case those routes or hubs may need to be discontinued, such as those described in Section 7.6.5 of this Prospectus. Failure to ensure commercial viability of our business expansion and growth may result in expenses being incurred without a corresponding increase in revenue. The markets which we intend to serve in the future may be in countries where we have limited operating experience. The operation of our business in these markets may present operating, financial and legal challenges which are significantly different from those that we currently encounter in our existing markets or to which we are accustomed.

Our position in the market will also depend upon the effectiveness of our marketing strategies and business development initiatives, as well as our ability to anticipate and respond to various competitive factors affecting the industry. This may include the ability to address pricing strategies of competitors, cope with rising fuel prices, provide high quality and reliable services at low fares, successfully enter new markets, order and obtain aircraft that best suit our strategy, maintain adequate control of our expenses, maintain high aircraft utilisation and load factors so as to bring down unit costs, attract, train, retain and motivate qualified personnel, swiftly respond to customer and market demands, and maintain the safety of our operations. Any failure by us to effectively compete, whether in terms of pricing, quality of services or otherwise, could have a significant adverse effect on the results of our business, operations and financial position.

As we strive to expand our operations and expect to continue to do so for the foreseeable future, our ability to successfully manage our operational, financial and management information systems and resources is essential. Any expansion of our business operations and increase in flight frequencies would put a strain on these systems and resources, and could lead to a point where they are no longer adequate to support our business operations or may result in disruptions to our business operations.

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

5.2.4 We may not be able to maintain or grow our ancillary revenues.

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

5.2.5 We are exposed to adverse impacts from any increases in the cost of fuel or any limitations on fuel supply.

Fuel costs constitute a substantial portion of our operating expenses, amounting to an average of approximately 49.0% of our total operating expenses for each of the years from 2010 to 2012 and 47.4% for the 3 months ended 31 March 2013. As such, our operating results are significantly affected by changes in the availability and the cost of jet fuel. For example, the sharp increases in fuel prices from July 2010 to April 2011, after our commencement of flights to London in March 2009 and Paris in February 2011 significantly affected our ability to operate those routes economically, and thus contributed to our withdrawal from both routes in March 2012. Our London and Paris routes contributed an aggregated LBT of approximately RM92.7 million for the year ended 31 December 2011, and approximately RM65.9 million for the year ended 31 December 2012.

In the past, there have been fluctuations in the price of jet fuel which is, among other factors, primarily based on the international price of crude oil, which in turn is influenced by supply and demand in the market, economic factors, political factors and various other factors. In the event of an exorbitant increase in fuel price or a fuel shortage, we may be required to curtail some of our scheduled services to cope with such events. We can neither control nor predict the future cost and availability of fuel with any degree of certainty. Based on our fuel consumption for the year ended 31 December 2012 and the 3 months ended 31 March 2013, a USD1.00 change in price per barrel of fuel would have impacted our fuel expenses by approximately RM7.1 million and RM1.7 million, respectively and correspondingly our operating profits by the same amounts.

We negotiate our fuel and undertake group-level hedging together with the AirAsia Group in order to increase the bargaining power arising from the larger quantities of fuel purchased by the AirAsia Group as a whole. We do not enter into any fuel hedging contracts directly, and any gain or loss arising from fuel hedging is recognised when risk transfers to our Group, namely upon allocation by AirAsia Berhad to us when we consume the fuel. We also pass a portion of our fuel price increases to our passengers in the form of fuel surcharges. There can be no assurance, however, that future increases in fuel prices can be offset in whole or in part by the bargaining power of the AirAsia Group or by increases in our fares and/or our surcharges, and this may have a material adverse effect on our business operations and financial condition.

Please refer to Sections 7.8.1 and 12.4.4 for further details on our fuel supply, how we manage our fuel requirements and our hedging activities.

5.2.6 Our maintenance costs will increase as our fleet ages.

As of March 2013, the average age of our 9 A330-300s (excluding the new A330-300 delivered to us in April 2013) was approximately 4.9 years. Our fleet will require more maintenance as it ages and the costs for this will increase. Although we predict and expect that our fleet maintenance costs will increase in the future, we cannot with reasonable certainty predict the amounts of such increase. A potential significant increase in expenses for fleet maintenance could have a material adverse effect on our financial results and business operations. Our maintenance and overhaul costs accounted for 6.8%, 5.8% and 8.6% of our total operating expenses for the years ended 31 December 2010, 2011 and 2012, respectively.

5.2.7 We may be adversely affected by any increases in the cost of airport facilities and services or any restrictions on access to such airport facilities and services.

We are dependent on the quantity and quality of airport infrastructure for our current operations and for our future expansion, and we have to compete with other airlines for the availability of terminal space, time slots and aircraft parking, all of which are critical to our operations.

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

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

In addition, we are highly dependent on our operations at the LCCT in Kuala Lumpur, where approximately half of our daily flights originate. There is currently a project underway for the construction of a new low-cost terminal in Kuala Lumpur, which, when completed, will allow us to increase the number of routes we serve from our hub. If construction of this new low-cost terminal is delayed, our expansion strategy may be impeded. In addition, if fees and other costs related to operating out of the new terminal increase in relation to current fees and costs at the LCCT, our results of operations could be adversely affected.

Furthermore, if fees and other related costs at airports that we conduct flights to increase, our results of operations could also be adversely affected. For example, massive increases in airport taxes, fees and handling charges at Indian airports, which were already high as compared to our destinations in Australia, contributed to our decision to withdraw from our Delhi and Mumbai routes. For example, in May 2012, Delhi airport increased airport fees by 346%. Both these routes contributed an aggregated LBT of approximately RM36.5 million for the year ended 31 December 2011, and an aggregated LBT of RM4.4 million for the year ended 31 December 2012.

5.2.8 We rely on third parties to provide us with facilities and services that are integral to our business operations.

We have entered into agreements with third party contractors and operators who are unrelated to our Promoters to provide certain facilities and services required for our operations at the various airports at which we operate, including Kuala Lumpur. These include, but are not limited to, agreements for aircraft maintenance, ground handling, refuelling services, airport facilities, information and communication technology services, catering and administrative and support services. We expect to enter into similar contractual arrangements in any new markets into which we decide to penetrate.

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

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

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

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

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

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

5.2.10 Due to our high daily aircraft utilisation rate, our operations may be more susceptible to the adverse effects of delays.

A vital part of our business strategy is to maintain high daily aircraft utilisation. High daily aircraft utilisation increases the efficiency of our operations and generates more revenue from the utilisation of our aircraft. This is achieved in part by reducing theturnaround time at airports so that, on average, we are able to fly our aircraft more hours in each day. Various delays that are beyond our control and cause reductions in daily aircraft utilisation include the following:

(i) airport congestion, air traffic and air traffic control related requirements;

(ii) security and safety requirements;

(iii) bad weather or other environmental conditions;

(iv) defects or mechanical problems with our aircraft;

(v) unavailability of flight crew;

(vi) strikes or work stoppages; and

(vii) acts of third parties on whom we rely for our business operations (for example, fuelling, maintenance, among others).

Additionally, the expansion of our business to include new destinations and more frequent flights on existing routes could increase our exposure to congested airports, airports with less established infrastructure or air traffic congestion. An increase in the number of airlines operating at the airports at which we operate may also result in more congestion and delays at those airports. Such delays could reduce our daily aircraft utilisation and, in turn, limit our ability to achieve and maintain profitability. Further, high aircraft utilisation increases the risk that once an aircraft falls behind schedule on a particular day, it could remain behind schedule for all its other flights during the remainder of that day. This may result not only in disruption in operating performance but could lead to passenger dissatisfaction as a result of delayed or cancelled flights or missed connecting flights, which could then have an impact on our reputation.

5.2.11 We are highly reliant on automated systems and the Internet to conduct our business.

We depend significantly on automated systems for our business operations, including our computerised airline reservation system, flight operations system, management and accounting system, telecommunications systems, website, maintenance systems and check-in systems. Whilst the provision and maintenance of computerised airline reservation system, telecommunications systems and website are via the AirAsia Services Agreement between our Company and AirAsia Berhad as detailed in Section 7.9.6(ii) of this Prospectus, these services are nonetheless ultimately provided by third party service providers. Our reservation and website systems must be able to accommodate a high volume of traffic and deliver important flight information. Substantial or repeated system failures of our website, reservation, or telecommunications systems could reduce the attractiveness of our services and incentivise our customers to fly with other airlines, thereby adversely affecting our revenue. There can be no assurance that system failures will not occur in the future. This could then result in the loss of important data, increase our expenses and generally harm our reputation.

5.2.12 We are highly reliant on the continued reliability and availability of the A330-300 and the engines we use, or any other aircraft or engine types we use in the future.

As our business largely depends on procuring, operating and maintaining specific types of aircraft and engines, we are particularly vulnerable to any problems that might be associated with such aircraft or engine types. Our business would be significantly affected if there was a defect in the design or mechanics of such aircraft or engines. While waiting for any such defect to be rectified, assuming that rectification is possible, our fleet would have to be grounded, or the affected aircraft or engines would have to be replaced otherwise.

Regulators could also restrict or even suspend the use of our aircraft while it conducts its own investigation into any actual or perceived design or mechanical defects. Further, any negative perception of our aircraft, whether due to safety, reliability or other concerns (whether actual or perceived), or an accident involving similar aircraft, could lead to the public avoiding our aircraft. This would have a material adverse effect on our business operations and financial results.

In addition, if our lessors or vendors are unable to perform their contractual obligations to lease or sell aircraft and supply engines to us, we may have to find alternative suppliers of aircraft and engines. In such an event, we cannot assure you that we would be able to lease or purchase aircraft and engines within the time frame currently expected or at comparable prices. This would require us to obtain and use another type of aircraft and engine. We cannot assure you that any replacement aircraft would have the same operating advantages as our current A330-300s. We also may incur substantial transition costs, including higher costs associated with retaining or hiring pilots, cabin crew and engineers to operate and maintain a different type of aircraft or engine, and may also have to compensate passengers affected by delays or cancellations of our flights.

5.2.13 We have a limited operating history as a low-cost, Long-haul carrier and it may be difficult to evaluate our future results based on our past performance.

We commenced operations as a low-cost, Long-haul carrier in November 2007. As such, it is difficult to evaluate our future prospects because of our limited operating history as a low-cost, Long-haul carrier. Our prospects are uncertain and must be considered in light of the risks, uncertainties and difficulties frequently encountered by companies during the early stages of operations. Any difficulties in implementing our strategies or any failure to effectively organise and supervise operations may negatively affect our business operations and financial results.

5.2.14 Any accident or sufficiently disruptive or dangerous incident involving any of our aircraft or any AirAsia Group aircraft may adversely affect our reputation and business.

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

In addition to these direct losses, any of the above incidents affecting our aircraft could create negative public perception of the quality of our airline's safety practices.

This could have a material adverse effect on our reputation and our business operations.

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

5.2.15 We rely on the AirAsia brand and are subject to the terms of the Brand Licence Amendment and Renewal Agreement with AirAsia Berhad.

Pursuant to the Brand Licence Amendment and Renewal Agreement, we are granted a non-exclusive, non-transferable licence to operate scheduled Long-haul air services under the trade name and livery of "AirAsia X" or "AirAsia", including the use of trademarks owned by AirAsia Berhad such as "www.airasia.com", "go holiday", "AirAsia GetACar" and "AirAsia GoInsure". The Brand Licence Amendment and Renewal Agreement has an initial term of 5 years from 21 July 2012. Thereafter, parties may enter into negotiations to extend the term for up to 4 successive terms of 5 years each.

The success of our business will depend on AirAsia Berhad's awareness and ability to prevent third parties from using the AirAsia trade name and related trademarks without its consent. The "AirAsia" and "AirAsia X" trademarks are currently registered in Malaysia, the European Union and in 20 other countries throughout Asia (including the Middle East), Australia and the United States. AirAsia Berhad is seeking to register these trademarks in additional jurisdictions. Notwithstanding the above, we cannot assure you that the steps taken by AirAsia Berhad in this regard will adequately protect the AirAsia trade name and related trademarks and third parties may challenge the AirAsia Group's rights to use the AirAsia trade name, including our right to use the AirAsia trade name and related trademarks. Issues relating to intellectual property rights can be complicated and we cannot assure you that disputes will not arise or that any disputes in relation to the intellectual property will be resolved in AirAsia Berhad's favour.

Our success also depends, in part, on our continued ability to use the AirAsia trade name and related trademarks in order to increase our brand awareness. If for any reason the "AirAsia X" trade name and related trademarks are withdrawn by AirAsia Berhad or become unavailable to us or we are required to pay a higher licence fee for the use of the AirAsia trade name and related trademarks, or should there be any other material changes to the Brand Licence Amendment and Renewal Agreement, whether as a result of a breach or otherwise, or in the event we are unable to extend the term of the Brand Licence Amendment and Renewal Agreement, our business operations and financial results would be adversely affected.

AirAsia Berhad may terminate the Brand Licence Amendment and Renewal Agreement immediately upon notice if:

(i) we take any legal steps to challenge AirAsia Berhad's exclusive rights to all or any part of its brand or the validity of the Brand Licence Amendment and Renewal Agreement;

(ii) our AOC or ASL is revoked;

(iii) a force majeure event happens, including amongst others, acts of God, war, fire, storms, floods, terrorism and riots; or

(iv) there is change of control of AirAsia X which results in a substantial change in the existing shareholding structure of AirAsia X. In this regard, it is noted that an initial public offering of shares of AirAsia X does not amount to such a change.

Either party may terminate the Brand Licence Amendment and Renewal Agreement immediately upon notice if:

(i) there is a breach of the Brand Licence Amendment and Renewal Agreement by a party which is incapable of remedy;

(ii) a party ceases or threatens to cease to carry on business; or

(iii) a party goes into insolvency.

5.2.16 We rely substantially on our association with AirAsia Berhad and the other members of the AirAsia Group.

We rely substantially on our association with AirAsia Berhad and the other members of the AirAsia Group and on various shared services including, but not limited to, use of the brand name, information technology (including the www.airasia.com website through which 84% of our seats were sold for the year ended 31 December 2012), fuel procurement and hedging, and other services that provide negotiation strength and economies of scale through our association with the AirAsia Group. There is no assurance that we will continue to be a member of the AirAsia Group in the future. Any future termination of our affiliation with the AirAsia Group or termination of the shared services across the members of the AirAsia Group could have a material adverse effect on our business. Further, with the growing network of AirAsia Berhad and other companies in the AirAsia Group, any incidents that negatively impact AirAsia Berhad or any of the other members of the AirAsia Group could similarly have a negative impact on our reputation.

We have a non-exclusive right to use the AirAsia trade name for Long-haul operations pursuant to the terms of the Brand Licence Amendment and Renewal Agreement. Although under the Brand Licence Amendment and Renewal Agreement, AirAsia Berhad may not directly or indirectly invest in, or grant a licence to, another low-cost, Long-haul carrier based in Malaysia, AirAsia Berhad may invest in low-cost, Long-haul air carriers that are based in any other member countries of ASEAN, provided that AirAsia Berhad gives us the first right of refusal to undertake such investments. AirAsia Berhad may also invest in low-cost, Long-haul carriers outside of ASEAN, provided that we are afforded a reasonable opportunity to co-invest with AirAsia Berhad. Although under the Brand Licence Amendment and Renewal Agreement, AirAsia Berhad acknowledges that they, as a Short-haul carrier, will operate scheduled flights of under a 4-hour flight range from any common point or hub, future operations by AirAsia Berhad or by other members of the AirAsia Group in other markets, or investment by AirAsia Berhad or other members of the AirAsia Group in low-cost, Long-haul carriers in other countries, could have a material adverse effect on our business operations and financial results.

If (i) we are unable to leverage the AirAsia trade name, business network, expertise and overall relationship with AirAsia Berhad and the AirAsia Group in general in any material respect, (ii) there is a material change in the business strategy or key management of AirAsia Berhad that results in AirAsia Berhad re-examining its relationship with us or with the AirAsia Group or (iii) actions of AirAsia Berhad or any other member of the AirAsia Group adversely affect the AirAsia brand name, our business, results of operations and prospects would be materially and adversely affected. We cannot assure you that the actions of AirAsia Berhad or other members of the AirAsia Group will not adversely affect our business in the future.

5.2.17 We may incur a significant amount of debt or may need to raise new equity in the future to finance the expansion of our aircraft fleet.

In the past, we have required financing to acquire the aircraft in our fleet and we are most likely to require financing and incur significant amounts of debt in the future to fund the acquisition of additional aircraft, other anticipated capital expenditures, working capital requirements and other business expansion plans.

As at 31 March 2013, we had committed to the acquisition of aircraft from Airbus at a total list price of approximately USD6.9 billion (or approximately RM21.4 billion). In addition, the future minimum lease payments for our aircraft under operating leases amounted to approximately RM2.4 billion as at 31 March 2013. To meet these financial commitments, we may need to raise additional funds. However, we cannot provide assurance that additional financing will be available to us on favourable terms or at all. Our gearing ratio as at 31 March 2013 was 2.2 times. In the event that we are unable to obtain adequate financing on reasonable terms or at all to fund our expansion plans, including acquisition of additional aircraft, we may not be successful in implementing our growth strategy, as detailed in Section 5.2.3 of this Prospectus. Further, if we are unable to secure the relevant financing to fund our aircraft acquisition, we may not be able to meet the relevant payment obligations under our aircraft purchase agreements as and when they fall due, and therefore be subject to applicable late payment interest, if any, as set out in Sections 7.9.6(iv) and (v) of this Prospectus and potential legal claims by Airbus under contractual default. Airbus would also be entitled to apply any pre-delivery deposits paid for the aircraft to satisfy any amount due and unpaid by us and be compensated for any losses or damages suffered by Airbus as a result of our default. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Shares, and our existing shareholders may experience a dilution in the value of our Shares.

Additionally, any credit facilities that we obtain in the future may contain restrictive covenants which would limit the way in which we carry on our business activities. These credit facilities may also limit our future financing activities and would require the creation or granting of security interests over our assets.

Our ability to meet our payment obligations and to fund planned capital expenditure will depend on the success of our business strategy and our ability to generate sufficient cash flow to satisfy our obligations.

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5.2.18 We could be negatively impacted by any failure to comply with covenants contained in our leasing and financing agreements.

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

In relation to two of our banking facilities, we have obtained waivers until 31 July 2013, from having to comply with certain financial ratio covenants that we did not meet for the year ended 31 December 2012. Further details of the aforementioned non-compliances are set out in Section 12.9.3 of this Prospectus. There can be no assurance that we will not breach financial covenants in the future, that we will meet the aforementioned financial covenant ratios when the applicable waiver periods expire, that we will be able to obtain any further indulgences or waivers for these or other matters, or that any future breaches would not result in a default under our facilities, any of which could materially and adversely affect our financial position. Certain of these agreements also contain cross default clauses, as a result of which defaults under one agreement could be treated as defaults under other agreements. As such, a failure to comply with the covenants in such agreements could have a negative impact on us. Please refer to Sections 12.9.3, 12.9.4 and 12.9.5 of this Prospectus for further details on our banking facilities, aircraft finance leases and aircraft operating leases, respectively, including details on the status of our compliance with such covenants.

5.2.19 We may be adversely affected by movements of currency exchange rates.

As at 31 March 2013, 79.0% of our total borrowings of RM1.4 billion were denominated in USD. We are therefore exposed to any significant exchange rate movement of the USD. Furthermore, due to the geographic diversity of our business, we receive revenue and incur expenses in a variety of international currencies and therefore face currency exchange rate risks. For example, the recent volatility of the Iranian currency contributed to our decision to terminate our service to Tehran. On the other hand, most of our aircraft and engine maintenance services, aircraft leasing commitments, insurance contracts, and all of our aircraft purchase contracts are denominated in USD. Our fuel contracts are denominated in multiple currencies.

Appreciation or depreciation in the value of the USD or other foreign currency relative to the RM, and in particular, the effects of any appreciation or depreciation of the USD in relation to the RM as it affects our USD-denominated borrowings, may have a significant impact on our financial results reported in RM without giving effect to any underlying change in our business or results of operations. Any currency exchange rate fluctuations may also lead to a decrease in our profit margins or to operating losses. These may be caused by increases in costs that are denominated in a particular currency or in interest expenses, currency exchange losses on unhedged fixed obligations, or indebtedness denominated in foreign currencies. We cannot provide assurance that we will be able to effectively mitigate the possible adverse effect of any future currency fluctuations on our business and financial position.

5.2.20 We may not be able to continue to benefit from the Investment Allowance tax exemption if it is not renewed after 2014.

The Ministry of Finance of Malaysia granted us income tax exemption under Section 127 of the Income Tax Act, 1967 in the form of an Investment Allowance of 60.0% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2009 to 31 August 2014, to be set off against 70.0% of the statutory income for each year of assessment. For the past 3 years ended 31 December 2010, 2011 and 2012, we have recognised tax incentives amounting to an aggregate of approximately RM184.4 million pursuant to the Investment Allowance tax exemption. Any unutilised tax allowances may be carried forward after 2014 until fully utilised. There is no assurance that we would be able to benefit from a similar tax exemption following the expiration thereof in 2014. Accordingly, our effective tax rate may increase as a result of the termination of the existing tax exemption.

5.2.21 We may be subject to increased costs if planned environmental regulations are implemented.

Carbon emissions by aircraft are a serious environmental concern, and efforts have been made by IATA to encourage governments to take measures to reduce greenhouse gas emissions from their aviation industries with a view towards achieving carbon-neutral growth by the year 2020. In light of this, IATA is advocating a global approach to reduce emissions, which involves the adoption of a uniform standard for accounting for emissions across all participating international jurisdictions as opposed to separate carbon emissions standards adopted by individual countries.

IATA has been working with ICAO to put in place a regulatory system to account for and control emissions and allow access to carbon markets, use revenues from economic measures such as emissions permit auctions, and provide incentives for fleet renewal with more fuel efficient aircraft. ICAO has developed certain standards, policies and guidelines with a focus on technological improvements, more efficient operating procedures and proper organisation of air traffic. There is, as yet, no mandatory system in place for the regulation of aircraft emissions by ICAO, and each jurisdiction is given the freedom to manage its respective aviation industry to comply with the policies and guidelines by ICAO. ICAO is moving, however, towards a carbon trading system such as that implemented by the European Union. While carbon emission controls have not been enacted in the jurisdictions in which we currently operate, if any such restrictions are put in place, our operations may be materially affected. If carbon emission restrictions are adopted, such controls would apply across the industry as a whole, and not imposed solely on us or any other particular carrier, and may result in increased operational costs that are passed through to customers through increases in fares. For example, the increases in our passenger fares as a result of the pass through of additional operating costs associated with the application of the European Union Emission Trading System to the aviation sector commencing 1 January 2012, contributed to our decision to discontinue our services to London and Paris in March 2012.

In addition, other changes in the interpretation of current environmental regulations or the introduction of new laws or environmental regulations which affect our business may have a material adverse effect on our business and our operations.

5.2.22 We do not have full insurance coverage for certain risks, and may not be able to obtain insurance coverage on commercially reasonable terms.

As operating an airline involves many risks and hazards, the availability of insurance is fundamental to our operations and crucial to risk management. However, insurance coverage is generally not available or prohibitively expensive for certain risks, and certain aviation related insurance may become unavailable or available only for reduced amounts of coverage that are insufficient to comply with the levels of coverage required by aircraft lessors or applicable government regulations. It is to be noted the requirement for such insurance coverage by aircraft lessors or applicable government regulations is a pre-requisite for us to operate such aircraft and/or routes. In the event that we are unable to obtain the requisite insurance coverage, we would not be able to operate such aircraft and/or routes.

Furthermore, with respect to government regulations, certain air service licences issued by the relevant government authorities have made it a condition in the licences for our Company to obtain specific insurances.

In line with industry practice, certain business risks are left uninsured when insurance coverage is generally unavailable. These include risks such as business interruptions, loss of profit or revenue as well as mechanical breakdowns. Any inability on our part to obtain insurance, whether on commercially acceptable terms or at all, for general operations or specific assets, would have a material adverse effect on our business operations and financial performance.

To the extent that any uninsured risks materialise, it could cause a substantial increase in our insurance premiums and detrimentally affect our operating results and financial performance. For example, in the event of terrorist attacks, hijackings, aircraft crashes or other events that generally adversely affect the airline industry, there is a risk that aviation insurers will further increase their premiums or reduce the availability of insurance coverage.

There can be no assurance that our insurance coverage will cover any or all actual losses incurred during our operations. If actual losses incurred by us for any event exceed the insured amount under our insurance policies, we may have to bear substantial losses which would have a material adverse effect on our financial results.

Please refer to Section 7.9.3 of this Prospectus for further details on our level of insurance coverage.

5.3 Risks Relating To Our Shares

5.3.1 There has been no prior market for our Shares and a market for our Shares may not develop.

There has been no prior market for our Shares and there is no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. None of us, the Promoters, Selling Shareholders and the Joint Bookrunners have an obligation to make a market for our Shares.

Application has been made to Bursa Securities for our Listing of, and quotation for, our enlarged and issued paid-up share capital (including the IPO Shares) on the Main Market, and it is expected that there will be an approximate 15 Market Days gap between the closing of the Retail Offering and trading of our Shares. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities markets, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

5.3.2 There may be a potential delay or failure of our Listing.

Our Listing may be potentially delayed or aborted upon the occurrence of the following events:

(i) we do not meet the public spread requirements as determined by Bursa Securities (including as a result of any decision by us not to reallocate shares from the Retail Offering to the Institutional Offering as described in Section 4.3.6(iii)) of having at least 25.0% of our enlarged and issued paid-up share capital in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of listing;

(ii) we are not able to obtain the approval of Bursa Securities for our Listing for whatever reason;

(iii) failure by the identified investors to subscribe for the portion of Shares to be placed to them; or

(iv) exercise by the Joint Bookrunners, the Principal Adviser, the Joint Managing Underwriters and the Joint Underwriters of their rights pursuant to the Retail Underwriting Agreement to discharge themselves from their obligations thereunder.

Upon the occurrence of any of these events, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of any application for our Shares within 14 days, failing which the provisions of sub-sections 243(2) and 243(6) of the CMSA will apply accordingly and we will be liable to repay the monies with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

5.3.3 The market price of our Shares may be volatile, which could cause the value of investors' investment in our Company to decline.

The market price of our Shares could be affected by numerous factors, including:

(i) general market, political and economic conditions;

(ii) trading liquidity of our Shares;

(iii) changes in earnings estimates and recommendations by financial analysts;

(iv) changes in market valuations of listed shares in general or shares of companies comparable to ours;

(v) changes in government policy, legislation or regulation; and

(vi) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, our Shares may trade at prices lower than the Institutional Price or Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. As such, the price and trading of our Shares may be subject to fluctuation.

5.3.4 Our Company may not pay dividends to shareholders.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. We have not paid any dividends to our shareholders since the incorporation of our Company.

Although we are unlikely to pay any dividends in the immediate future, in the event that we decide to pay dividends in the future, our ability to do so will also depend on our future financial performance which, in turn, depends on the successful implementation of our strategy and on financial, competitive, regulatory and other factors, general economic conditions, demand and fares, costs of jet fuel and other factors specific to our industry, many of which are beyond our control. Furthermore, payment of dividends may also be limited by restrictive covenants contained in our current and future financing agreements which generally provide that for so long there is any amount due and payable under the facility or any other obligations under the facility remain outstanding, prior written consent of the lender is required before we declare, make or pay any dividend.

5.3.5 After the completion of the IPO, our Promoters' interests may be different from those of our other shareholders.

After the completion of the IPO, our Promoters will own approximately 1,277 million Shares, representing approximately 53.8% of our issued and outstanding Shares. By virtue of their shareholding in us, our Promoters will have the ability to indirectly exercise control over us and our affairs and business, including the election of directors, the timing and payment of dividends and the approval of most other actions requiring the approval of its shareholders. There can be no assurance that interests of our Promoters will be aligned with those of our other shareholders.

5.3.6 The sale or the possible sale of a substantial number of our Shares in the public market could adversely affect the price of our Shares.

Following the offering and sale of up to approximately 790 million IPO Shares, up to 33.3% of our Shares will be publicly held by investors participating in our IPO, while approximately 1,277 million Shares, or 53.8% of our issued and paid-up share capital, will be held by our Promoters.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares after the end of the lock-up period in connection with financing activities or otherwise, and it is possible that our Promoters may dispose of some or all of their Shares after the lock-up period and/or moratorium period, pursuant to their own investment objectives. If our Promoters sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our Shares could be adversely affected.

5.3.7 Investors in our IPO will suffer immediate dilution in net tangible assets.

The Institutional Price per Share is higher than the net tangible asset value per Share by RM0.86 after adjusting for our IPO. Investors subscribing for Shares in our IPO will therefore incur immediate dilution on a net tangible asset value per Share basis. The issuance of further ordinary shares at prices lower than the then existing net tangible asset value per ordinary share would result in further dilution. Please refer to Section 4.9 for further details on "Dilution".

5.3.8 Our Company is required to comply with restrictions on foreign ownership of the Shares, which may affect the voting rights, liquidity and market price of the Shares.

Our Articles prescribe a 45.0% limit on non-Malaysian ownership of our Company's issued and paid up share capital. A foreign shareholder whose acquisition of Shares is determined by our Board to have resulted in this limit being exceeded, taking into account the time of acquisition of such Shares, shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of and arising from such Shares, except for the voting rights in respect thereof. As a result, the liquidity and market price of the Shares may be adversely affected, particularly when the foreign ownership limit has been reached. The voting rights of the affected Shares will be automatically reinstated when the foreign ownership limit has been restored.

Our Board may take various steps to prevent these foreign ownership limits from being exceeded, which would otherwise adversely affect our Company's international traffic rights, further details of which are set out in Section 7.9.5(ii) of this Prospectus. For example, subject to the requisite regulatory approvals, our Board may be authorised to issue new Shares to Malaysians in order to reduce the proportion of Shares owned by non-Malaysians. Such an issuance of new Shares would be limited to 10.0% of our Company's issued and outstanding share capital and also requires annual renewal of our Board's general mandate by shareholders. However, there can be no assurance that the Company would be able to complete such an issuance of Shares and any issuance would immediately dilute our Company's then existing shareholders.

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6. INFORMATION ON OUR GROUP

6.1 Our Company

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

We have been principally engaged in the business of providing low-cost, Long-haul air transportation services since November 2007.

Further details of our Group and our history are set out in Section 7.1 of this Prospectus.

6.2 Share Capital

6.2.1 Authorised, Issued and Fully Paid-Up Share Capital

Our authorised share capital as at the date of this Prospectus is RM500,000,000 comprising 3,333,333,333 Shares.

Our issued and paid-up share capital as at the date of this Prospectus is RM266,666,668 comprising 1,777,777,787 Shares.

6.2.2 Details of the Issue and Allotment of Shares of our Company

Details of the changes to our issued and paid-up share capital for the past 3 years preceding the date of this Prospectus were as follows:

(i) Shares

Date of allotment	No. of Shares	Par Value RM	Consideration	Cumulative issued and paid-up share capital RM
11 June 2010	10,000,000	1.00	Cash	208,000,001
3 July 2010	4,707,200	1.00	Cash	212,707,201
7 July 2010	11,292,800	1.00	Cash	224,000,001
10 May 2013	42,666,667	1.00	Conversion of RCPS	266,666,668
13 May 2013	1,777,777,787	0.15	Subdivision of shares	266,666,668

(ii) RCPS

Date of allotment	No. of RCPS	Par Value RM	Consideration	Cumulative issued and paid-up share capital RM
9 July 2010	16,000,000	1.00	Cash	42,666,667

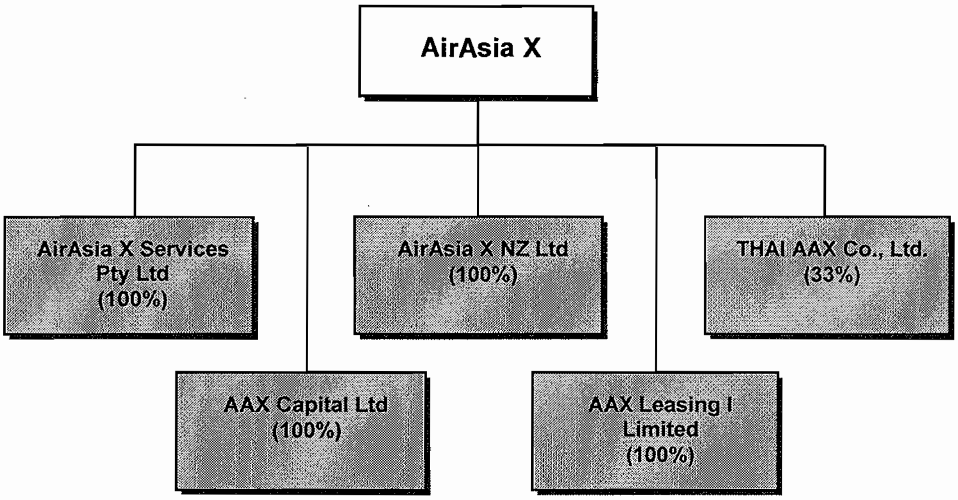
AirAsia Berhad had on 10 May 2013 converted all of its outstanding 42,666,667 RCPS into 42,666,667 ordinary shares of RM1.00 each.

There was no outstanding warrant, option, convertible security or uncalled capital in respect of the shares in our Company and subsidiaries as at the date of this Prospectus. Prior to our Listing, a total of up to 9,850,000 ESOS Options are proposed to be granted to Eligible Employees, details of which are set out in Section 4.5 of this Prospectus.

6.3 Our Subsidiaries and Associated Company

6.3.1 Group Structure

Our current Group structure is set forth below:



Other than the above, our Company does not have any other subsidiaries, associated companies or joint-controlled entities.

6.3.2 Details of our Subsidiaries and Associated Company

As at the LPD, our subsidiaries and associated company were as follows:

Name	Country of incorporation	Date of incorporation	Issued and paid-up share capital	Our Company's effective interest (%)	Principal Activities
AirAsia X Services Pty Ltd	Australia	4 January 2010	AUD1.00 comprising 1 ordinary share of AUD1.00	100%	Provision of management logistical and marketing services in Australia
AirAsia X NZ Limited	New Zealand	1 February 2011	NZD100.00 comprising 100 ordinary shares	100%	Dormant
AAX Capital Ltd	Federal Territory of Labuan	21 June 2010	USD2.00 comprising 2 ordinary shares	100%	Dormant

Name	Country of incorporation	Date of incorporation	Issued and paid-up share capital	Our Company's effective interest (%)	Principal Activities
AAX Leasing I Limited	Federal Territory of Labuan	16 August 2011	USD1.00 comprising 1 ordinary share	100%	Engine leasing
THAI AAX Co., Ltd.	Thailand	12 March 2013	THB15.00 comprising 3 shares of THB5.00 each	33%	Dormant

(i) AirAsia X Services Pty Ltd

(a) History and Business

AirAsia X Services Pty Ltd was incorporated on 4 January 2010 as a private limited company in Australia under the Australian Corporations Act 2001 under its present name.

AirAsia X Services Pty Ltd commenced its business on 4 January 2010. AirAsia X Services Pty Ltd is principally involved in the provision of management logistics and marketing services as well as the employment of Australia nationals to support our operations in Australia.

(b) Share Capital

As at the LPD, the issued and paid-up share capital of AirAsia X Services Pty Ltd consisted of 1 ordinary share at AUD1.00 par.

There has been no change in the issued and paid up share capital of AirAsia X Services Pty Ltd since its incorporation date and the issuance of its existing share capital on 4 January 2010 up to the LPD.

(c) Shareholder

As at the LPD, AirAsia X Services Pty Ltd was a wholly-owned subsidiary of our Company. There is no outstanding warrant, option, convertible security or uncalled capital in respect of the shares in AirAsia X Services Pty Ltd as at the LPD.

(d) Subsidiary and Associated Companies

AirAsia X Services Pty Ltd did not have any subsidiaries and associated companies as at the LPD.

(ii) AirAsia X NZ Limited

(a) History and Business

AirAsia X NZ Limited was incorporated on 1 February 2011 as a private limited company in New Zealand under the New Zealand Companies Act 1993 under its present name.

AirAsia X NZ Limited commenced its business on 1 February 2011. AirAsia X NZ Limited was principally involved in the provision of management logistics and marketing services as well as the employment of New Zealand nationals to support our operations in New Zealand. However, due to the termination of our routes to New Zealand, it has ceased service in New Zealand since July 2012 and we intend to wind up AirAsia X NZ Limited going forward.

(b) Share Capital

As at the LPD, the issued and paid-up share capital of AirAsia X NZ Limited consisted of 100 ordinary shares.

There has been no change in the issued and paid up share capital of AirAsia X NZ Ltd since its incorporation date and the issuance of its existing share capital on 1 February 2011 up to the LPD.

(c) Shareholder

As at the LPD, AirAsia X NZ Limited was a wholly-owned subsidiary of our Company. There was no outstanding warrant, option, convertible security or uncalled capital in respect of the shares in AirAsia X NZ Limited as at the LPD.

(d) Subsidiary and Associated Companies

AirAsia X NZ Limited did not have any subsidiaries and associated companies as at the LPD.

(iii) AAX Capital Ltd

(a) History and Business

AAX Capital Ltd was incorporated on 21 June 2010 as a private limited company in the Federal Territory of Labuan under the Labuan Companies Act 1990 under its present name.

AAX Capital Ltd was a special purpose vehicle incorporated for working capital loan purposes, and is currently a dormant company, which we intend to wind up going forward.

(b) Share Capital

As at the LPD, the issued and paid-up share capital of AAX Capital Ltd was USD2.00 consisting of 2 ordinary shares.

There has been no change in the issued and paid up share capital of AAX Capital Ltd since its incorporation date and the issuance of its existing share capital on 21 June 2010 up to the LPD.

(c) Shareholder

As at the LPD, AAX Capital Ltd was a wholly-owned subsidiary of our Company. There was no outstanding warrant, option, convertible security or uncalled capital in respect of the shares in AAX Capital Ltd as at the LPD.

(d) Subsidiary and Associated Companies

AAX Capital Ltd did not have any subsidiaries and associated companies as at the LPD.

(iv) AAX Leasing I Limited

(a) History and Business

AAX Leasing I Limited was incorporated on 16 August 2011 as a private limited company in the Federal Territory of Labuan under the Labuan Companies Act 1990 under its present name.

AAX Leasing I Limited is a special purpose vehicle incorporated for the purpose of engine leasing.

(b) Share Capital

As at the LPD, the issued and paid-up share capital of AAX Leasing I Limited was USD1.00 consisting of 1 ordinary share.

There has been no change in the issued and paid up share capital of AAX Leasing I Ltd since its incorporation date and the issuance of its existing share capital on 16 August 2011 up to the LPD.

(c) Shareholder

As at the LPD, AAX Leasing I Limited was a wholly-owned subsidiary of our Company. There was no outstanding warrant, option, convertible security or uncalled capital in respect of the shares in AAX Leasing I Limited as at the LPD.

(d) Subsidiary and Associated Companies

AAX Leasing I Limited did not have any subsidiaries and associated companies as at the LPD.

(v) THAI AAX Co., Ltd.

(a) History and Business

THAI AAX Co., Ltd. was incorporated on 12 March 2013 as a limited company in Thailand under the Thai Civil and Commercial Code under its present name.

THAI AAX Co., Ltd. is currently dormant. Its intended principal activity is to provide low-cost, Long-haul air transportation services in Thailand.

(b) Share Capital

As at the LPD, the issued and paid-up share capital of THAI AAX Co., Ltd. was THB15.00 consisting of 3 shares of THB5.00 each.

There has been no change in the issued and paid up share capital of THAI AAX Co., Ltd. since its incorporation date and the issuance of its existing share capital on 12 March 2013 up to the LPD.

(c) Shareholder

As at the LPD, our Company holds 33.3% of the shares in THAI AAX Co., Ltd. which may be further increased up to 49.0%, being the maximum allowable foreign shareholding of a Thai company. Further details of our estimated level of initial capital contributions in THAI AAX Co., Ltd. are set out in Section 12.9.7 of this Prospectus.

There was no outstanding warrant, option, convertible security or uncalled capital in respect of the shares in THAI AAX Co., Ltd. as at the LPD.

(d) Subsidiary and Associated Companies

THAI AAX Co., Ltd. did not have any subsidiaries and associated companies as at the LPD.

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7. BUSINESS OVERVIEW

7.1 Overview

We are a leading low-cost, Long-haul airline, operating primarily in the Asia Pacific Region. Based upon our breakthrough business model, we believe that we have the lowest unit cost base of any airline in the world[(1)], with a CASK of US¢3.74 and CASK (excluding fuel) of US¢1.90 for 2012. This implies a 67.3% and 75.3% lower CASK and CASK (excluding fuel), respectively, as compared to the average CASK and CASK (excluding fuel) of the 10 largest FSCs based in the Asia Pacific Region (ranked by operating revenue) that reported these figures (source: S-A-P). This in turn has enabled us to offer fares[(2)] that are targeted, on average, to be 30% - 50% lower than FSCs and to stimulate new market demand, whereby passenger volumes between Kuala Lumpur and other destinations we serve grew by an average of over 90% from the year before the launch of each route to the year ended 31 December 2012.

Incorporated in May 2006, we commenced low-cost, Long-haul passenger and cargo air services in November 2007 from our hub at Kuala Lumpur, with our inaugural route between Kuala Lumpur and Gold Coast in Australia. We now serve 14 destinations across Asia (Tokyo, Osaka, Seoul, Taipei, Beijing, Hangzhou, Chengdu, Shanghai and Kathmandu), Australia (Sydney, Melbourne, Perth and Gold Coast) and the Middle East (Jeddah), with flights to an additional destination, namely Busan, commencing in July 2013. We currently operate a fleet of 10 A330-300s for scheduled services, and have 2 A340-300s which are currently wet-leased. We have also accepted delivery of an additional A330-300, scheduled to commence operations in July 2013. Our fleet represents the largest LCC wide-body aircraft seat capacity in the Asia Pacific Region.

Our breakthrough model benefits from our association with the AirAsia Group. From commencement of operations, we have been able to leverage the AirAsia Group's globally recognised brand and large existing customer base, as well as the broad and deep Short-haul LCC network. The broad network served by the other carriers in the AirAsia Group comprises 81 destinations around Asia from 16 hubs as at the LPD, that provides vital feed to and from our hub in Kuala Lumpur. In terms of the depth of the network, the other carriers in the AirAsia Group collectively account for a weekly frequency of 2,864 return flights, or 5,728 one-way flights as at the LPD. In addition, we have benefitted from shared services with AirAsia Berhad via the AirAsia Services Agreement as detailed in Section 7.9.6(ii) of this Prospectus, which lowered our start-up costs and time-to-market. Please refer to Section 7.9.6(i) of this Prospectus for details on the Brand Licence Amendment and Renewal Agreement, which grants us the licence to use the "AirAsia" brand and trade name for Long-haul operations.

With our early mover advantage, the largest LCC wide-body aircraft seat capacity in the Asia Pacific Region, our growing route network and passenger base, and lower costs and fares than FSCs, our vision is to be a leading Long-haul LCC globally. We expect to achieve this by exploiting a significantly under-served segment of price-sensitive air travellers on Long-haul routes that extend beyond the commercial range limitations of narrow-body aircraft range used by traditional Short-haul LCCs. To this end, we are scheduled to receive delivery of 22 additional A330-300s up to 2017, and have a firm order for 10 A350-900s beyond that. With 5 A330-300s to be delivered for the remainder of 2013 and 7 A330-300s to be delivered in 2014, we believe we are poised to continue growing in the near future. Together with the broader AirAsia Group, we are working towards creating the world's first global, multi-hub LCC network, with complementary Short-haul and Long-haul networks.

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

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

We have a unique organisational culture and capability, balancing rigorous cost focus and discipline aimed at delivering the lowest unit operating cost; industry-leading reliability and on-time performance standards; and customer satisfaction levels comparable to the ratings achieved by Asia Pacific FSCs. In 2009, we won the Centre for Asia Pacific Aviation's ("**CAPA**") "Airline of the Year Award" jointly with AirAsia Berhad. At Skytrax's 2012 World Airline Awards, we were ranked second, after AirAsia Berhad, in the "Best Low-Cost Airline in Asia" category. In the Skytrax airline customer survey as of March 2013, we achieved a customer review rating higher than the average rating for major comparable FSCs in the Asia Pacific Region, according to S-A-P.

We believe we are a leader in the LCC industry in product innovation. Our innovations in the LCC market include introducing the world's first Premium FlatBed seats and pioneering transfer "Fly-Thru" connection services, as well as introducing portable in-flight entertainment units, and various seat assignment and upgrade options. Partly as a result of these innovations, we achieved, the highest and the fourth highest reported ancillary revenue per passenger of any airline in the world in 2010 and 2011, respectively, and continued to grow the same by 14.9% from 2011 to 2012. We achieved all of this while simultaneously maintaining what we believe is the lowest unit cost base among all airlines globally[(3)].

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

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

7.2 Competitive Strengths

We have achieved and maintained our position as a leading low-cost, Long-haul carrier in the Asia Pacific Region due to the following strengths:

7.2.1 We Have an Early Mover Advantage in the Low-Cost, Long-haul Segment Globally, which is Poised for Substantial Growth in the Coming Years

Early movers in the LCC industry, such as Southwest Airlines in North America, Ryanair and Easyjet in Europe and AirAsia in Southeast Asia, remain successful leaders in their respective markets, even after entry by other competing LCCs. We believe their success is largely driven by their larger aircraft fleet and route network and their established brand reputation and track record, which offer superior economies of scale and scope and better bargaining power with suppliers, and create barriers to entry for other LCCs. Early movers also have a significant advantage from experience accumulated over their years of operation, leading to an institutionalised knowledge base and skill set within their organisations, allowing them to keep growing at a faster pace and deploy resources more effectively than new entrants.

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

We believe we have a similar opportunity to be a market leader in the global low-cost, Long-haul segment, which we believe is poised for substantial growth, similar to the levels that occurred in Short-haul air travel markets with the introduction of LCC services. The low-cost, Long-haul business model feeds off increasing globalisation, rising per capita income and increasing urbanisation, all of which allow more people to travel longer distances, and increased intra-regional business activities that lead to increased demand for business as well as leisure travel. Based on the demand we have stimulated in the markets we serve, we believe Long-haul air travel is similarly price-elastic and poised for comparable high growth with the introduction of lower fares for consumers.

According to S-A-P, we have the largest LCC wide-body aircraft seat capacity in the Asia Pacific Region and are expected to maintain this lead with the largest number of firm additional wide-body aircraft deliveries in the next five years. Having pioneered a breakthrough business model that has delivered the lowest known unit operating cost[(4)] and having achieved a track record of rapidly growing new passenger traffic in the markets we operate, we believe we have built up knowledge, skills and culture that will be hard to be replicated by others.

We believe our early mover advantage gives us a strong competitive advantage over new entrants in the segment and will enable us to continue to lead the low-cost, Long-haul segment in the coming years.

7.2.2 We Operate in Some of the Largest and Fastest Growing Aviation Markets in The World

We are well positioned to serve key growth markets around the world from our hub in Kuala Lumpur. Our strong positioning in the Asia Pacific Region in particular allows us to benefit from further expected growth in these markets. According to S-A-P, passenger volumes, measured in RPK, from 2011 to 2031 are estimated to grow at a CAGR of 7.6% on routes within Southeast Asia, 6.7% on routes within the Asia Pacific Region, 6.9% on routes within China, 7.2% on routes between the Asia Pacific Region and the Middle East, 7.7% between Southeast Asia and China, 5.1% between Southeast Asia and Oceania and 5.4% between Southeast Asia and Northeast Asia, compared to 5.0% globally.

With an estimated population of 3.4 billion in 2012, and projected growth of up to an additional 164.0 million by 2017 according to S-A-P, we expect the Asia Pacific Region to continue to be a large and attractive feeder market for our Long-haul routes. We believe that the interconnectivity among AirAsia Group carriers benefits us and other carriers of the AirAsia Group mutually, as it provides access to a larger market of potential passengers.

As part of the AirAsia Group, we offer our passengers the ability to connect our 14 current Long-haul destinations seamlessly with the feeder network of the AirAsia Group's Short-haul route network in Southeast Asia. The other carriers in the AirAsia Group serve 81 destinations around Asia from 16 hubs with a fleet of over 100 aircraft as at the LPD, making the AirAsia Group the largest LCC network in Asia. In 2012, 40% of our passengers connected to or from an AirAsia Group flight (including 5% of our passengers who connected between two AirAsia X flights) and this is expected to grow as the AirAsia Group network further expands.

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

Finally, we believe that we operate in an underpenetrated home market relative to other major Asian airports in terms of Long-haul flights. S-A-P reported that in the week of 4-10 March 2013, Kuala Lumpur had 512 departing Long-haul flights, compared to Hong Kong's 657, Bangkok's 940 and Singapore's 1,096. A key factor that drives growth in the Malaysian commercial aviation market is that Malaysia is a large domestic market with a population of 28.6 million and annual per capita GDP of USD9,700 in 2011. Malaysia's commercial aviation market is likewise supported by a tourism industry that saw 25.0 million tourist arrivals in 2012. Further, Malaysia was one of two Asian countries, and the only Southeast Asian country, in the global top 10 countries with the highest number of tourist arrivals in 2011 (source: S-A-P). Thus, we believe our home market provides additional growth opportunities for us to serve some of the world's largest and fastest-growing aviation markets.

7.2.3 We Believe That We Have the Lowest Unit Operating Cost Base of Any Airline in the World

We believe that we have the lowest CASK and CASK (excluding fuel) in the world[(5)]. Our CASK and CASK (excluding fuel) was US¢3.74 and US¢1.90, respectively, for 2012, which was 67.3% and 75.3% lower, respectively, than the average CASK and CASK (excluding fuel) of the 10 largest FSCs based in the Asia Pacific Region that reported these figures. This low-cost structure is achieved through numerous strategies, including:

(i) High ASK Per Aircraft

We believe our fleet produces the highest ASKs per aircraft among LCCs and FSCs globally, at 1.7 billion ASKs per aircraft per annum in 2012, compared to an average 422.1 million ASKs per aircraft per annum for the top 10 LCCs based in the Asia Pacific Region (ranked by operating revenue) that report such data, and 550.1 million ASKs per aircraft per annum for the top 10 FSCs based in the Asia Pacific Region (ranked by operating revenue) that report such data, as reported by S-A-P.

(a) High Aircraft Utilisation

As a result of our Long-haul flights and network strategy, we maintain one of the highest aircraft utilisation rates in the Asia Pacific Region. In 2012, our average aircraft utilisation was 16.2 hours per day, approximately 48.6% higher than the average of the top 10 FSCs based in the Asia Pacific Region (ranked by operating revenue) that report this figure (source: S-A-P).

(b) High Seat Density

Each of our A330-300s offers a total of 377 seats in a 12-premium and 365-economy seat configuration, approximately 21.2% more seats than the next highest A330-300 seat density (311 seats total)[(6)] and 28.7% higher than the average (293 seats total) for carriers based in the Asia Pacific Region (excluding AirAsia X)[(6)] as reported by S-A-P.

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

(6) Based on those carriers that operate a significant number of wide-body aircraft and that S-A-P believes provide a relevant basis for comparison

(ii) Modern, Fuel Efficient and Focused Aircraft Type Fleet

Our operating fleet of 9 A330-300s (excluding the new A330-300 delivered to us in April 2013) had an average age of 4.9 years as of March 2013. Our relatively young operating fleet and high seat density, coupled with various fuel management techniques, further details of which are set out in Section 7.8.1 of this Prospectus, allowed us to achieve a fuel consumption rate of 2.27 litres and 2.21 litres per passenger per 100 kilometres for the year ended December 2012 and the 3 months ended 31 March 2013, respectively, which we believe, based on available industry evidence, is superior to the fuel efficiency of FSCs using similar wide-body aircraft.

By using a focused aircraft type fleet, we are able to reduce costs by maintaining a single pool of pilots, flight attendants, engineers and technicians who are certified for a certain aircraft type (i.e. type-rated), a streamlined spare parts inventory, and common maintenance tools and equipment. We are also able to interchange our aircraft on different routes much more efficiently.

(iii) High Labour Productivity From a Non-Unionised Workforce

We benefit from a highly skilled, motivated and productive workforce. Because our workforce is primarily based in Malaysia, where the cost of living is lower relative to other major cities in the Asia Pacific Region, and is non-unionised, we believe we have a labour cost advantage. We also maintain high labour productivity; our ASK per employee of 12.5 million in 2012 is more than 3 times higher than the average ASK per employee of Asian FSCs that report such data, and more than 2 times higher than the average ASK per employee of global LCCs (excluding AirAsia X) that report such data (source: S-A-P). Our staff costs in 2012 as a percent of revenue was 9.2%, compared to 16.2% at Cathay Pacific Airways, 14.8% at Singapore Airlines and 12.9% at Emirates (in their respective latest fiscal years as reported in each of these airlines' most recent annual report).

We have accumulated in-depth experience and expertise from our operations and years of combined LCC knowledge across the AirAsia Group. The inherent no-frills culture, which has been a hallmark of the AirAsia Group, has led us to adopt numerous innovative strategies in the areas of staff productivity and operating efficiency, unique to Long-haul flight operations. These strategies include lowered corporate overhead and streamlined in-flight service.

Our overhead cost is minimised through a lean overhead headcount and flat organisation structure with empowered work teams, relatively lower average base salary with performance incentives, modest office premises and efficient office space utilisation, prudent travel expense management, strict adherence to our procurement standard operating procedures, and an on-going six-sigma continuous improvement initiative.

We have streamlined our inflight service processes, from the packaging and serving of our food and beverage items (as individual items instead of the usual trays), having a high-percentage of pre-booked meals which reduces wastage and speeds up service time, as well as the use of disposable food and beverage containers and cutlery which expedites the cleaning process. This allows us to staff fewer flight attendants per flight on aircraft with higher seat density, resulting in a passengers-per-flight-attendant ratio that is approximately 60% higher than that of FSCs.

(iv) Streamlined Airport Operations

We maintain strict cost control over airport charges per flight, minimising these charges through higher aircraft utilisation hours (as faster turnaround times reduce parking charges), using higher seat density aircraft (resulting in lower landing, parking and other airport fees on a per-passenger basis), and multi-tasking, interchangeability of roles and service automation (resulting in lower ground-handling and check-in costs from lower staffing levels per aircraft turn). As a result, we believe we have a cost advantage over Asian FSCs in terms of airport and ground handling charges per flight.

(v) Lower Marketing and Sales Costs

Our marketing model is primarily direct-to-consumer, through Internet sales and direct offline sales, with Internet sales being the lowest cost distribution model available. In 2012, an average of 84% of our passenger tickets was distributed via the AirAsia Group's website, www.airasia.com. An additional 8% was distributed through our own sales channels, including via call centres and sales offices in the same year. Only approximately 8% of our passenger tickets are distributed through third-party channels including travel agents, which typically are of significantly higher cost. In contrast, we believe FSCs typically rely on third party channels for a much greater proportion of their sales.

We believe these cost-minimising strategies allow us to maximise profitability and cash flows on a sustainable basis.

7.2.4 We Have Developed a High-Quality Operating Model and Product

Even though we operate with a low unit cost, we strive to deliver a high-quality operating model to satisfy the needs of Long-haul passengers both in terms of comfort, and reliability.

We operate one of the youngest wide-body fleets in the Asia Pacific Region. Our operating fleet of 9 A330-300s (excluding the new A330-300 delivered to us in April 2013) had an average age of 4.9 years as of March 2013, compared to an average of 9.1 years for the wide-body fleet of carriers based in the Asia Pacific Region (excluding AirAsia X)[(7)], according to S-A-P, and our newer aircraft offer a better cabin experience for passengers, with a 31 inch seat pitch, comparable to some FSCs, and Premium FlatBed seats, comparable to business class seats on some FSCs.

We are committed to world-class engineering and maintenance practices, as evident in our long term service agreements with a number of major servicers in the industry, further details of which are as set out in Section 7.8.2 of this Prospectus. As a result, we are able to operate with a high degree of operational reliability; whereby in 2011 and 2012, we achieved a technical dispatch reliability rate of 99.5% and 99.4%, respectively and were awarded the 2010-2011 Top Operational Excellence Award by Airbus for achieving the world's best technical dispatch reliability rates among all A330-300 operators worldwide in the small fleet category (less than 10 A330-300 aircraft for operations). The award by Airbus is evidence of our high-quality and time-efficient aircraft maintenance program, reflecting our ability to maintain and upgrade our aircraft and/or engines so as to be operationally ready throughout the year.

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(7) *Based on those carriers in the Asia Pacific Region that operate a significant number of wide-body aircraft and that S-A-P believes provide a relevant basis for comparison*

We also strive for excellence in daily operations and have established ourselves as one of the most punctual airlines in Asia, despite having the highest aircraft utilisation rates and tight turnaround times. In 2012, we achieved an on-time performance rate of 85.0%, compared to an average of 84.2% for FSCs based in the Asia Pacific Region[(8)] and an average of 81.4% for LCCs based in the Asia Pacific Region[(8)], according to S-A-P. For the 3 months ended 31 March 2013, we achieved an on-time performance rate of 88.0%.

Our simplified operations have also enabled us to achieve a mishandled baggage rate of 1.1 bags per 1,000 passengers, compared to a global industry rate of 8.8 bags per 1,000 passengers for the year 2012. Approximately 50% of all our flights arrive at our hub in LCCT, with its simplified baggage system - the bags are loaded from the aircraft, trucked directly and then off-loaded onto a single conveyor belt to be picked up by the passengers directly, which minimises the likelihood of our passengers' bags being mis-directed due to incorrect scanning of bar codes or malfunctioning bag tag readers. This is in contrast to the complex conveyor belts as seen in KLIA's main terminal and other similar airports. In addition, we do not practise code-sharing with other airlines, which would require bags to be transferred to a different airline's operations and tracking systems, especially when it involves transfers between different terminals at one airport, again minimising the risk of mishandling the bags. We expect to have a similar form of simplified operations at KLIA 2 after our relocation, as KLIA 2 is designed to be a dedicated LCC terminal similar to LCCT.

We believe that these strong operating attributes, together with our convenient and warm cabin services and attractive fares, have enabled us to garner high customer satisfaction ratings. According to S-A-P, we scored 7.6 out of 10 in the Skytrax airline customer review rating reported as of March 2013, compared to an average of 8.3 for 5-star airlines[(9)], an average of 7.0 for FSCs[(9)], and an average of 6.1 for LCCs (excluding AirAsia X)[(9)], based in the Asia Pacific Region. We also were acknowledged by Skytrax as being one of the world's best LCCs, placing second in Asia, in 2011 and 2012. We were also recognised, jointly with AirAsia Berhad, as Asia Pacific's Airline of the Year by CAPA in 2009. For other awards and recognitions we have received since we began our Long-haul service, see Section 7.4 of this Prospectus.

7.2.5 We Have One of the Highest Ancillary Revenue Per Passenger Levels Among Airlines That Report Such Figures

Our focus on developing innovative ancillary revenue streams has enabled us to achieve one of the highest ancillary revenue per passenger levels in the aviation industry. We produced ancillary revenue per passenger of USD46.07 in 2012 and USD48.82 for the 3 months ended 31 March 2013. According to S-A-P, our ancillary revenue per passenger in 2010 of USD38.92 was the highest and that of USD40.09 in 2011 was fourth highest among global airlines reporting ancillary income. These results can be attributed to a higher propensity for passengers on Long-haul flights to purchase food, merchandise and other products due to longer flight duration.

(8) *Based on the top 10 (ranked by operating revenue) FSCs/LCCs in Asia which reported financial and operating performance, that have available data for the latest 12 month periods*

(9) *Based on major FSCs/LCCs in the Asia Pacific Region that S-A-P believes provide a relevant basis for comparison and have available data*

Our high ancillary revenue per passenger can also be attributed to our innovation in providing new and attractive pre-flight and on-board purchase options to our passengers. Many of the ancillary products pioneered by us have subsequently been adopted by the other carriers of the AirAsia Group and other LCCs. At the same time, we also enjoy benefits from the other forms of ancillary products that have been developed in conjunction with the AirAsia Group and its partners, such as travel insurance with Tune Ins Holdings Berhad, AirAsia BIG Loyalty programme rewards, Expedia accommodation booking and Tune Talk prepaid mobile SIM cards. Please refer to Section 7.7.4 of this Prospectus for more details about our ancillary products.

Ancillary revenue growth has minimal incremental cost and, as a result, generates higher margins than passenger fare revenues. In addition, the wide selection of our ancillary products is an example of how we strive to achieve a high degree of passenger satisfaction. We believe our ability to generate ancillary revenue will be fundamental to our continued growth and success.

7.2.6 As a Member of the AirAsia Group, We Are Able to Benefit from the AirAsia Brand, Cross Selling Opportunities and the Group's Collective Purchasing Power

Since commencement of operations, we have leveraged the strength of the global AirAsia brand, which has enabled us to minimise both our start-up costs and time-to-market. The AirAsia brand enjoys global visibility and recognition, with branding campaigns including world class sporting properties such as Formula One Grand Prix through the current sponsorship of Team Caterham and past sponsorship of Team AT&T Williams, Barclays English Premier League through the current sponsorship of Queens Park Rangers and past sponsorship of Manchester United, the sponsorship of British MotoGP and the past sponsorship of the Oakland Raiders team in the National Football League. The AirAsia brand is also associated with the only LCC to win four consecutive "World's Best Low-Cost Airline" awards from Skytrax, from 2009 to 2012.

The AirAsia Group's digital media properties also provide us with a wide customer reach. We believe the www.airasia.com website is a top travel-related website in Asia and one of the most active e-commerce platforms in Asia, with over 9 million average monthly unique visitors and over 182 million average monthly page views in 2012 based on tracking by Google. There are over 6.9 million registered users of www.airasia.com to whom we send promotional emails. Finally, the AirAsia Group also actively promotes itself within and engages with users across social media platforms, such as Facebook, Twitter and Weibo, with 3.5 million fans, 1.1 million followers and 988 thousand fans, respectively, as at the LPD, making AirAsia one of the most active airline social media brands, as compared to the top 10 (ranked by operating revenue) FSCs and LCCs in the Asia Pacific Region which reported financial and operating performance.

All of the above have contributed a significant amount of public attention and have generated one of the highest levels of media coverage among airline brands in the Asia Pacific Region.

The AirAsia Group is also one of the largest aircraft purchasers in the world, with the world's largest ever airline order of Airbus's A320 aircraft as at the LPD. The combined economic size of the AirAsia Group affords us more bargaining power to negotiate aircraft and component purchases, leasing and financing contracts and fuel purchases. Additionally, shared services for information technology systems and training facilities lower our operating costs below what they otherwise would be if we were an independent stand-alone airline.

7.2.7 We Have an Experienced and Stress Tested Management Team and Shareholders

Our key management team, led by Azran Bin Osman Rani, has extensive managerial experience and technical competencies. He led the start-up team that developed the business plan, raised capital, secured relevant licences and approvals, acquired aircraft and launched our Long-haul operations. Prior to his appointment, he was the Senior Director of Business Development for Astro All Asia Networks plc, a leading Asian digital satellite television and radio broadcaster, and an Associate Partner for McKinsey & Company, a global management consultancy. He was also appointed by the Malaysian Minister of Tourism to the Board of Directors of the Malaysian Tourism Promotion Board (Tourism Malaysia) in May 2011. Our key management team comprises 7 officers with diverse backgrounds, including experience in the aviation industry. Moses Devanayagam, our Operations Director, has over 40 years of aviation industry experience related to engineering and ground handling operations.

Most of our key management team members, including Azran Bin Osman Rani, have been at our Company since the start of our Long-haul operations. Our management team is stress tested in light of our exposure in navigating through the global financial crisis, being able to secure aircraft financing on a stand-alone basis despite a very tight global credit market, managing the business in a period of extreme fuel price volatility in 2008, handling various natural disaster crises ranging from earthquakes in Japan and New Zealand, volcanic ash clouds over Europe, snowstorms in Europe, and floods in Queensland – all while growing the business rapidly from inception in 2007 to 2012.

We believe the experience and expertise of our key management team, and their track record of working together, have contributed significantly to our growing operations, which have generated an increase in revenue from approximately RM230.7 million in 2008 to approximately RM2.0 billion in 2012, representing a CAGR of 70.9%, which includes our withdrawn routes, details of which are set out in Section 7.6.5 of this Prospectus.

Our strong management team is guided by our experienced Board of Directors and shareholders, including AirAsia Berhad and Aero Ventures Sdn Bhd. Two of our Directors, Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, are the major shareholders and founders of both companies and bring a wealth of LCC experience from starting up AirAsia Berhad. Our Board of Directors is chaired by Tan Sri Rafidah Aziz, Malaysia's longest-serving Minister of International Trade and Industry, who contributes a wealth of international experience. Our Board includes representatives from Orix Airline Holdings Limited, a leading aircraft leasing company based in Japan, and Manara Malaysia I Limited, an investor consortium from the Middle East.

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7.3 Strategies and Future Plans

Our vision is to be a leading Long-haul LCC globally and to create, together with other carriers of the AirAsia Group, the first global, multi-hub low-cost carrier network. The main components of our strategy are to:

7.3.1 Expand Our Passenger Base by Growing our Route Network and increasing Our Hubs of Operations

The strategic principle underlying our choice of routes to operate is a focus on markets with the highest growth potential and where we can build a market leadership position. We primarily operate in the Asia Pacific Region, the world's largest and fastest growing aviation region. Our main hub in Kuala Lumpur has the largest LCC feeder network among airports in the Asia Pacific Region in terms of LCC flight frequencies and destinations, but is under-served for Long-haul routes compared to other Asian airports, providing significant growth potential.

Our expansion strategy from the current network of 14 routes in 7 markets we serve from Kuala Lumpur will be based on the following priorities aimed at creating a clear leadership position in the markets we serve:

(i) Stimulate Demand and Increase Frequencies on Existing Core Routes

Twelve of our current 14 routes are to major metropolitan cities, such as Sydney, Perth, Melbourne, Tokyo, Seoul, Beijing, Shanghai and Taipei. Due to the large population and existing market of air travellers in these cities, we believe we can profitably increase frequencies on these routes to 14 times weekly, or a double-daily service. Each of these core routes has already achieved load factors consistently higher than 80%, which signals strong demand that can absorb increased capacity. We currently plan to increase our frequencies to Sydney, Melbourne, Perth and Taipei to a double-daily service in the later part of 2013.

We also believe we can profitably increase frequencies to most other routes, such as Chengdu and Osaka, to 7 times weekly, or a daily service.

We believe increases in flight frequency will improve customer convenience and stimulate more transfer connections, while enabling us to be a market leader on these core routes. Further, we expect to benefit from capacity deployment on routes on which we already have an established operating base and from brand awareness in markets we already serve.

(ii) Open New Routes in Existing Core Markets

In addition to our current routes, there are other major cities in our existing core markets into which we may be able to expand. These include Adelaide in Australia, Nagoya and Fukuoka in Japan, and Chongqing and Xian in China.

We believe that expanding into new routes within existing markets will allow us to be more effective in marketing and efficient in operations given our established track record in these markets. Some of these cities are already being served by other members of the AirAsia Group, such as Chongqing and Xian by Thai AirAsia Co. Ltd and Nagoya and Fukuoka by AirAsia Japan Co. Ltd ("**AirAsia Japan**"), which means the consumers in these markets are already familiar with the AirAsia brand and service model, reducing the time required to build up our brand presence and product awareness.

(iii) Establish Routes in New Markets in the Medium Term

We intend to continue to look for new markets based on a clear set of criteria that include, among others, market size (catchment and propensity to travel), strength and growth of traffic, diversity of market demand (for example, two-way travel and having many different travel segments) and the current competitive environment. We believe that there are several potential new markets in South and Central Asia and North Africa and Eastern Europe that are within a commercially viable flying radius for A330-300 from our hub in Kuala Lumpur.

(iv) Create New Hubs

To support the growing demand for low-cost, Long-haul travel and to take advantage of the various Short-haul hubs and the network connectivity established by the AirAsia Group, we intend to establish new hubs outside Kuala Lumpur (for example, hubs in Indonesia, Thailand, Japan and the Philippines) where we can leverage the existing presence of the AirAsia Group, which we believe will provide us with additional feeder traffic. We believe the new hubs will increase our reach and provide additional cost savings from economies of scale, while allowing us to penetrate new markets, thus furthering our goal to link Asia to the world and become a global carrier. The criteria for establishing new hubs include the hub being located in a destination that can be marketable, having a catchment with a significant propensity to travel, being located within an airport with an established Short-haul feeder network, having established cargo operations, and providing profitable route opportunities and start-up costs that support our cost per ASK targets.

We plan to operate our first new hub outside Kuala Lumpur in Thailand through our newly established associated company, THAI AAX Co., Ltd., to tap into Thailand's well-known leisure market and to leverage on AirAsia's already established Short-haul feeder network in Thailand. Further details of THAI AAX Co., Ltd. are set out in Section 6.3.2(v) of this Prospectus.

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7.3.2 Grow Our Fleet of New, Fuel-Efficient Aircraft to Meet Passenger Demand and Our Expanding Route Mix

Our fleet plan is focused on the following concepts:

(i) Increasing our Fleet Size

We intend to increase our operating fleet size to 32 by 2016 through a mixed strategy of leasing and purchasing aircraft in order to execute our route development plan. In the event that demand further outstrips supply, we believe we will have access to additional aircraft, either through increasing our orders from Airbus or through sourcing from the secondary market, as we have demonstrated with our recent commitment to lease 6 additional A330-300s.

(ii) Maintaining a Fleet of Modern and Focused Type Aircraft

We currently operate a fleet of 10 A330-300s. On 3 May 2013, we took delivery of an additional A330-300, which is scheduled to commence operations in July 2013. We are also scheduled to take delivery of an additional 22 A330-300s up to 2017 and 10 A350-900s from 2018. We also have 2 A340-300s, which are sub-leased to other operators until December 2013. We intend to continue to sub-lease our A340-300s until the expiry of their lease contracts in 2015. We anticipate that we will fly only A330-300s and A350-900s going forward. We expect that the greater fuel efficiency and the longer range of the A350-900 will enable us to fly to destinations that would not be commercially feasible with our current fleet. Please refer to Section 7.5 of this Prospectus for further details on our fleet.

We plan to continue to review our fleet plan from time to time and may order more aircraft and may expand the types of aircraft utilised to respond to changes in the market place.

7.3.3 Strengthen the AirAsia Brand in Our Markets and Maintain High Customer Satisfaction

We intend to continue to invest in promoting the awareness and acceptance of the AirAsia brand in our markets through continued aggressive and innovative direct-to-consumer marketing (including marketing our brand, the appeal of our destinations, and our promotional fares), leveraging the branding, digital media and global sponsorship activities of the AirAsia Group, including using the AirAsia Expedia platforms and the AirAsia BIG loyalty programme, and increasing the profile and visibility of the brand on traditional and new media through engaging communications strategies.

While we plan to continue to increase our presence to the consumers who are active online looking for travel bargains and those who are already familiar with the AirAsia brand, we also intend to extend our marketing and promotional activities to other consumers who are not primarily considering Long-haul travel with an LCC. Strategies to engage these consumers include emphasising the attraction of our wide selection of destinations across Asia, particularly in partnership with tourism bodies, and showcasing the quality of the AirAsia X service, our new aircraft with high operational reliability and our highly-rated customer service.

While we expect to maintain price-leadership as our primary attribute, we intend to showcase our high-quality, efficient and friendly customer service to attract customers who are not already familiar with our services.

We have implemented a comprehensive customer management programme, including regularly collecting customer feedback from surveys, focusing on key passenger touch points and continuously improving our service delivery and customer advocacy and loyalty. We use a Net Promoter Score ("**NPS**") system to track customer satisfaction, wherein passengers are asked to rate on a scale of 1 to 10 how likely they are to recommend AirAsia X to their friends. Promoters are those rated between 9 to 10, and detractors are those rated between 1 to 6. The surveys are sent to passengers who agreed to receive promotional email, and are managed by a third party research agency on an on-going basis, with the sampling being undertaken in accordance to statistical norms.

The NPS method measures the difference between the percentage of customers who are promoters (typically those who are willing to recommend a product to friends and colleagues) and the percentage of customers who are detractors (typically those who are unwilling to recommend the product to friends and colleagues). The NPS is seen as proxy for customer satisfaction as studies have shown a strong correlation between a customer's willingness to recommend a product and the customer's satisfaction with the product.

In instances in which our NPS declines, we make every effort to take prompt action to identify and address issues. We intend to continue to seek to improve our NPS and to use NPS and other tools available to us to design our customer service strategy.

Finally, we expect the move to KLIA 2, with its much larger size, improved check-in systems, departure gates (directly at the aircraft parking bays, no longer requiring open-air walks to aircraft), transfer facilities, retail and food and beverage outlet selections and easy access to public transport, all of which will improve passenger experience significantly at our hub.

7.3.4 Maximise Passenger Revenue and Develop Innovative Ancillary Revenue Streams

Our revenue maximisation strategy includes:

(i) Capitalise on Route Maturity

A key factor that affects our overall passenger volume and profitability is the maturity of our routes, or the period of time that we service each particular route. Generally, when we begin service to a new route we experience lower load factors as the local population in the new market may be less aware of our services or the AirAsia brand. Therefore, we tend to start with lower fares initially to stimulate local demand for our services. As load factors improve as the route matures, we increase our fares to our standard levels.

(ii) Dynamic Revenue Management

We have implemented a revenue management system to manage our revenue from passenger seat sales. Through the system, we continually monitor and adjust our fares based on, among other data, the date of the flight, the forecasted and actual demand for the flight and how far before the departure date the ticket purchase is made. We analyse this data, as well as other data, including data related to our competitors' products, to try to maximise our revenue from passenger seat sales while remaining competitive.

Please refer to Section 7.7.1 of this Prospectus for a more detailed description of our revenue management system.

(iii) Maximising and Introducing New Sources of Ancillary Revenue

We currently generate ancillary revenues through various fees including, but not limited to, baggage handling fees, seat selection fees, sales of meals, in-flight entertainment, and travel insurance products for selected destinations. We intend to expand our ancillary revenue streams through enhancement of certain ancillary services, and through the introduction of innovative services and products such as increased and customised seating selection methods and other pre-departure add-ons.

We recently introduced our "Quiet Zone" and Red Carpet services, further details of which are set out in Section 7.7.4 of this Prospectus. In addition, we expect to increase payment options for inflight purchases through credit/debit card facilities and to offer pre-book pre-departure add-ons, travel visa application services and taxi booking services. We also intend to continue to further expand our ancillary revenue streams.

7.3.5 Continue to Implement Initiatives to Strengthen Our Operations Quality and Cost Structure

(i) Maintaining Cost Leadership

We intend to maintain our global cost leadership position by improving our fuel management practices that have already provided us with industry-leading consumption performance, improving engineering and maintenance services, purchasing, and inventory management as we gain more scale, minimising ticket distribution costs through greater reliance on the Internet as a distribution medium and reducing advertising expenditure through higher allocation to digital and owned media, and improving airport operations through efficiency gains and better use of technology.

(ii) Improving Operational Reliability

We intend to maintain our industry-leading operating reliability performance through continuous improvement of our current engineering reliability with a focus on using technology and data to drive predictive systems, strong internal quality assurance and external audit processes and on-going knowledge sharing and information dissemination to our staff and agents.

(iii) Implementing Integrated Safety Management

We comply with the highest international safety standards and practices, and have implemented an integrated safety management system. We integrate the key elements of the safety management system into our daily operations. The system is an integrated set of work beliefs, practices and procedures for monitoring and improving the safety of all aspects of our operations, identifying the potential for errors and formulating defences to reduce the risk that errors result in unwanted incidents or accidents. For a discussion of our safety management system, please refer to Section 7.9.1 of this Prospectus. We intend to continue to comply with the high international safety standards and practices.

7.4 Our Milestones and Key Achievements

Year	Milestones / Achievements
2007	• Launched Long-haul service, with the first flight to Gold Coast, Australia • Placed a firm order for 25 A330-300s
2008	• Received 2008 Budgie World Low Cost Airline Awards for Best Newcomer – this award recognises leaders, innovators and pioneers in the global low-cost aviation industry • Awarded the CAPA New Airline of the Year Award 2008 – one of the aviation industry's most prestigious awards
2009	• Together with AirAsia Berhad, awarded "World's Best Low-Cost Airline" by Skytrax, which each year makes such an award based on a poll conducted among millions of passengers worldwide • Joint winners, with AirAsia Berhad, of the CAPA Airline of the Year Award 2009, an award bestowed on the airline that has had the greatest impact on the development of the airline industry in the region, establishing ourselves as a leader and benchmark for others to follow • Placed a firm order for 10 A350-900s
2010	• Introduced Premium FlatBed seats, the first LCC in the world to do so • Together with AirAsia Berhad, awarded the "World's Best Low-Cost Airline" by Skytrax for the second consecutive year • Pioneered "Fly-Thru", a hassle-free connecting service at LCCT • Surpassed RM1 billion in annual revenue
2011	• The Asahi Shimbun, a widely circulated Japanese newspaper in Japan, awarded AirAsia X second place in the Transportation and Advertising category of the Asahi Advertising Award. We were the first low-cost, Long-haul carrier to receive this award • Awarded "Best Network Performance" at the inaugural World Routes Awards 2011, which is the first global award of its kind for route planning by an airline. Nominees are evaluated on, among other criteria, ability to deliver strong shareholders' return on the airline's assets through efficient network strategy • Ranked second as "Best Low-Cost Airline in Asia" by Skytrax, after AirAsia Berhad • Received Special Commendation from Smart Traveller, which awarded AirAsia X as Best Budget Airline 2011 • Together with AirAsia Berhad, awarded the Air Cargo Industry Customer Care Award 2011 from Air Cargo Week • In partnership with Optiontown began offering guests an "Upgrade Travel Option" which allows travellers to purchase, for a nominal fee, an option for an upgrade to a Premium Flatbed seat, subject to availability • Surpassed 5 million cumulative passengers carried since inception

Year	Milestones / Achievements
2012	• Awarded the Airbus Top Operational Excellence Award 2010-2011 for being the world's best A330-300 operator (small fleet category) • Ranked second as "Best Low-Cost Airline in Asia" by Skytrax, after AirAsia Berhad • Together with AirAsia Berhad, awarded the Air Cargo Industry Customer Care Award 2012 from Air Cargo Week • AirAsia X and Optiontown introduced an innovative new product called "Empty Seat Option", which allows guests to purchase, for a nominal fee, an option to have all three seats in a row to themselves, subject to availability • Entered into operating leases for 6 A330-300s • Named Best Low Cost Airline in the Travel Top 50 issue of *Wish,* the weekend magazine of The Australian • Together with AirAsia Berhad, awarded the "Rising Star Carrier of the Year" at Payload Asia Awards 2012 • Best New Route Launch (for Haneda) for the 2012 World Low Cost Airlines Congress Budgies Awards • Ranked 4th best in-flight meals at the 2012 inaugural Skyscanner Asia Pacific Food Awards (long-haul category)

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Note:

We describe our business model in the subsequent sections, grouped and sequenced as follows:

- Section 7.5 Our Fleet. Aircraft capacity and utilisation are our primary drivers of growth. This section covers our choice of aircraft (7.5.1), aircraft deliveries (7.5.2) and aircraft utilisation (7.5.3).
- Section 7.6 How We Deploy Our Fleet. This section covers our choice of primary hub (7.6.1), route selection (7.6.2), current routes (7.6.3), future routes (7.6.4) and withdrawn routes (7.6.5).
- Section 7.7 How We Fill Our Planes. This section covers the key drivers of our revenue generation, including revenue management (7.7.1), marketing, advertising and promotions (7.7.2), sales and distribution (7.7.3), ancillary products (7.7.4), cargo (7.7.5) and major customers (7.7.6).
- Section 7.8 How We Serve Our Passengers. This section covers fuel (7.8.1), engineering and maintenance (7.8.2), airport operations (7.8.3), people and training (7.8.4), and information technology (7.8.5). It also addresses intellectual property (7.8.6), property (7.8.7), major suppliers (7.8.8) and research and development (7.8.9).
- Section 7.9 How We Maintain Operational Integrity. This section covers the key areas that drive the integrity, reliability and compliance of our operations, and includes safety (7.9.1), security (7.9.2), insurance (7.9.3), interruptions to business and operations (7.9.4), regulations, including major licences and permits (7.9.5), and dependence on contracts, agreements or other arrangements (7.9.6).
- Section 7.10 Our Competition. A final section addresses our competitive landscape.

As part of our business, we rely on and benefit from our close association with AirAsia Berhad and the other members of the AirAsia Group. Our relationship with AirAsia Berhad is primarily governed under the Brand Licence Amendment and Renewal Agreement dated 21 July 2012 and the AirAsia Services Agreement dated 31 October 2007, as supplemented and amended in 22 June 2012.

Under the Brand Licence Amendment and Renewal Agreement, we have a non-exclusive and non-assignable licence to use and reproduce the "AirAsia" brand and trade name, including trade and/or service marks, for Long-haul operations. Please refer to Sections 7.9.6(i) and 11.1.2(i) of this Prospectus for further details of the licence and cost.

Under the AirAsia Services Agreement, AirAsia Berhad provides various services to us, which include (i) the sale of AirAsia Insure to our passengers; (ii) regulatory matters and infrastructure development support in China; (iii) commercial services comprising sales and distribution, sales support, sales offices, provision of sales channels and corporate branding services; (iv) information, communication and technology (ICT) services comprising email networks and telecommunications systems, the website www.airasia.com, reservation and booking systems, procurement systems and flight operations, which are largely provided by third party service providers engaged by AirAsia Berhad; (v) treasury services such as the negotiation of fuel pricing and analysis of hedging structures suitable for us, and other services to be provided on a per-usage basis such as audit and consulting services, security and shared resources. Please refer to Sections 7.9.6(ii) and 11.1.2(ii) for a more detailed description of the services provided to us by AirAsia Berhad and the cost of such services.

We also entered into other commercial arrangements with AirAsia Berhad and/or companies affiliated with AirAsia Berhad. Certain of these commercial arrangements involve the provision of services to us by AirAsia Berhad or its affiliated companies, while others involve the provision of services by us to AirAsia Berhad or its affiliated companies. A list of such services is set out below:

(i) Our appointment as a corporate agent to a company affiliated to AirAsia Berhad for the sale of AirAsia Insure, and the outsourcing of the management of AirAsia Insure to a company affiliated to AirAsia Berhad is set out in Sections 11.1.2(ix) and (viii) of this Prospectus, respectively. Following from the above, the sale of AirAsia Insure previously undertaken by AirAsia Berhad under the AirAsia Services Agreement has since been managed by the party under the aforementioned outsourcing arrangement;

(ii) Pilot secondment by AirAsia Berhad to us as set out in Section 11.1.1(vii) of this Prospectus;

(iii) Provision of airport management, ground handling, regulatory liaison and related services by us to AirAsia Berhad and its affiliated companies as set out in Sections 11.1.2(iii), (iv), (v), (xiv), (xv) and (xvi) of this Prospectus;

(iv) Provision of airport management, ground handling, regulatory liaison and related services by a company affiliated to AirAsia Berhad to us as set out in Section 11.1.1(xi) of this Prospectus;

(v) Provision of training services by a company affiliated to AirAsia Berhad to us as set out in Section 11.1.2(vi) of this Prospectus;

(vi) Purchase of prepaid mobile SIM cards from AirAsia Berhad for sale-on board our flights as set out in Section 11.1.2(vii) of this Prospectus; and

(vii) Provision of call centre services by a company affiliated to AirAsia Berhad to us as set out in Section 11.1.2(xiii) of this Prospectus.

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7.5 Our Fleet

7.5.1 Choice of Aircraft

We currently have an operating fleet of 10 A330-300s. Six of these A330-300s are held under finance lease and the remaining 4 are held under operating lease. Please refer to Section 12.9.4 of this Prospectus for a summary description of the terms of the finance leases. As of March 2013, the average age of our operating fleet of 9 A330-300s (excluding the new A330-300 delivered to us in April 2013) was 4.9 years. Our aircraft are all configured to maximise aircraft space and the number of seats available. Our typical A330-300 can carry 377 passengers, compared to the average seating arrangement of 293 passengers for carriers based in the Asia Pacific Region (excluding AirAsia X)(10) as reported by S-A-P. We have chosen the A330-300 as we believe it is the most efficient aircraft for our route network.

7.5.2 Aircraft Deliveries

We have committed to take delivery of 22 A330-300s up to 2017. We have also ordered 10 A350-900s, to be delivered from 2018 onwards, with an option to order 5 more.

The table below shows our current fleet and firmly ordered aircraft with their anticipated year of delivery:

	Aircraft Type			
Year	**A330-300**	**A340-300**	**A350-900**	**Total**
Current	11*	2	-	13
Remainder of 2013	5	-	-	18
2014	7	-	-	25
2015	5	(2)	-	28
2016	4	-	-	32
2017	1	-	-	33
2018 onwards	-	-	10	43
Total	**33**	**-**	**10**	

Note:

* *Includes an A330-300 that we took delivery of on 3 May 2013, which is scheduled to commence operations in July 2013.*

To support the delivery of the abovementioned aircraft, we have secured the relevant traffic rights (which are currently unutilised) for new routes which we intend to introduce, in addition to the unlimited traffic right access of the open skies agreements between Malaysia and certain countries we fly to, such as Australia (all destinations except for Melbourne, Sydney, Perth and Brisbane), Korea, China and Taiwan.

Notwithstanding the existing open skies agreements where Malaysia is a party as mentioned above, we, as an airline, are still required to submit applications to the Ministry of Transport of Malaysia and relevant authorities in the destination country before being granted traffic rights for routes and frequency of flights. In addition, we are also required to apply to the applicable airport authorities for available landing and take-off slots.

(10) *Based on those carriers that operate a significant number of wide-body aircraft and that S-A-P believes provide a relevant basis for comparison*

7.5.3 Aircraft Utilisation

According to S-A-P, our aircraft utilisation[(11)] was the highest among the top 10 Asia Pacific Region carriers (ranked by operating revenue) that disclose such data in their respective latest fiscal year. The key drivers of our aircraft utilisation rate are securing air traffic rights and landing and departure slots, maintaining an efficient aircraft turnaround time and ensuring a high-quality and time-efficient aircraft maintenance programme.

In 2012, our average aircraft utilisation was 16.2 hours per day, despite achieving 17.1 to 17.5 hours per day utilisation for certain aircraft rotations. For the 3 months ended 31 March 2013, we achieved an average aircraft utilisation rate of 16.5 hours per day. Our average utilisation is below our capability to operate at approximately 17.0 hours per day as we were not able to secure air traffic rights and slots suited to our aircraft planning. Our maximum aircraft utilisation is computed based on a generally accepted industry standard taking into account the number of hours our aircraft is under maintenance layovers and transit times in a 24-hour period. In other words, an average of 7 hours per day is needed for maintenance activities and turn-around activities, including passenger boarding, ground handling and flight preparation. With our new route network strategy and approvals for our new routes, we believe we can achieve our target aircraft utilisation rate going forward.

Even at a sub-optimal rate of 16.2 hours per day in 2012, which we believe to be one of the highest aircraft utilisation rates in the world, our rate is already approximately 48.6% higher than the average of the top 10 FSCs based in the Asia Pacific Region that report such figures. This is because the FSC model relies heavily on revenue from first and business class passengers who are more sensitive to convenient departure, arrival and connecting times. FSCs, therefore, adjust their flying schedules to suit these requirements, leading to significant aircraft idle time.

(i) Traffic Rights

Having sufficient air traffic rights in our target markets at least 4 months prior to commencement of operations is critical to enable us to match available capacity to the route. We need sufficient time to sell and fill up the aircraft to be able to efficiently use aircraft capacity that becomes available.

There are various factors that would affect the timeliness of obtaining the traffic rights, including but not limited to whether the rights are available on a bilateral basis (between Malaysia and the destination Government); whether the rights are limited or unlimited and whether other airlines in Malaysia are also applying for the use of the same rights.

One of the key upcoming developments is the ASEAN Open Skies policy, expected in 2015. We expect this will drive passenger traffic to and from, as well as within, Southeast Asia, thus providing additional feed to our Long-haul destinations.

For a discussion of how we secure traffic rights, please refer to Section 7.9.5(ii) of this Prospectus.

(11) Computed based on the average block hours per day per aircraft during the year, which is a generally accepted industry standard. Block hours are calculated by measuring the duration between the time of departure of an aircraft and the time of arrival at its destination

(ii) Landing and Departure Slots

In addition to air traffic rights, the aviation or transportation authority of each country, together with the respective airports, also grants time slots for aircraft to arrive and depart from each airport. Available time slots correspond to the capacity of an airport's facilities and influence the ability of a carrier to land at or take off from an airport at a specified time and date.

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

Slots are typically granted and renewed twice a year (April and October) for a 6-month period, at a global slots coordination conference. We send representatives to these conferences to meet airport slot coordinators and negotiate for the slot times that we need for our aircraft rotation.

(iii) Turnaround Time

Turnaround time, being the time between arrival at an airport and subsequent departure for the next destination, is another factor that drives utilisation. Using precision timing management, we are able to turn our aircraft around within 60 to 75 minutes. During the turnaround time, we disembark arriving passengers and offload cargo, re-fuel the aircraft, clean the cabin, re-stock in-flight supplies, embark passengers and load cargo for the next flight.

In 2012, we achieved an on-time departure rate of 85%, with weather and air traffic control congestion being the two main factors causing delays.

(iv) Maintenance

We also focus on implementing a high-quality and time-efficient aircraft maintenance programme to ensure that our aircraft operate with industry-leading reliability rates and to minimise down-time from scheduled or unscheduled maintenance work.

Down-time from scheduled maintenance work primarily comprises two main aircraft checks. 'A' checks take approximately 8-12 hours and are done at 800 flying hour intervals, typically once every one-and-a-half months, and focus on visual inspections and reviews of maintenance logs to clear any recorded defects. We use an efficiency rate as a measure to determine the time-efficiency of our aircraft maintenance programme. The rate is the actual flying hour intervals for maintenance relative to the maximum permissible flying hour interval between checks. In 2012, we achieved an 'A' check efficiency rate of 99.6% (which means that we conducted 'A' checks on our aircraft, on average, every 797 hours as compared to the maximum 800 hours that we are allowed to fly before 'A' checks must be conducted), with a low average "open defect" list of less than 1 per aircraft, as acknowledged by civil aviation inspectors during regular audits. 'C' checks are done at 18-month intervals, and each 'C' check takes approximately one week to complete, with a longer 24-day check every 72 months. In 2012, we achieved a 'C' check efficiency rate of 93.7%.

By having a strong maintenance programme focused on predictive and preventive maintenance, we attempt to minimise unscheduled maintenance downtime and increase aircraft utilisation.

7.6 How We Deploy Our Fleet

7.6.1 Choice of Primary Hub

We currently operate out of the LCCT in Kuala Lumpur and have designated LCCT as our primary hub. The LCCT is the main gateway for low-cost carriers into Malaysia and is located approximately 70 kilometres from the heart of Kuala Lumpur. We selected the LCCT as our hub due to its extensive LCC feeder market, with up to 1,401 flights per week serving 73 destinations in the week of 4-10 March 2013, according to S-A-P. As a LCC terminal, it also benefits from lower airport charges (landing charges, parking charges, check-in counter charges, and passenger and security charges) and lower passenger service tax. These savings are translated into lower fares for our passengers.

In addition, KLIA is underserved in terms of Long-haul routes relative to airports at Singapore, Hong Kong and Bangkok. As such, KLIA presents more growth opportunities. S-A-P reported that in the week of 4-10 March 2013, Kuala Lumpur had 512 departing Long-haul flights, compared to Hong Kong's 657, Bangkok's 940 and Singapore's 1,096.

We are scheduled to move our operations from the LCCT to KLIA 2, a brand new LCC terminal currently under construction. With an expected capacity of 45 million passengers per annum upon completion (versus capacity of 15 million at the present LCCT), we anticipate that the move will allow us to serve more passengers at any one time and service more routes and destinations. We expect that the enhanced customer service and comfort levels at KLIA 2 will make it an attractive terminal for us to use as our hub as compared to the existing LCCT. We also expect KLIA 2 to provide the capacity to grow our flight movements (arrival/departure) at peak times, and help improve commercial performance, overcome operational constraints that currently exist at LCCT, decrease congestion, improve on-time performance at peak times and allow room for further expansion. KLIA 2 should also provide better feeder opportunities from Short-haul networks with a significantly larger transit passenger facility. We also expect KLIA 2 to have better and more convenient accessibility to the city centre via the express rail link service, among others. It is also planned to have additional facilities for cargo.

7.6.2 Route Selection

Our route strategy, as well as our focus on our core markets, is designed for us to capitalise on intra-Asia Pacific traffic growth opportunities, maximise our brand and economies of scale in those core markets and build a market leader position in terms of capacity, which complements our feeder traffic demand. By launching flights to multiple cities within a certain market, we aim to maximise our marketing and branding investments and return on our set up costs in that market.

Our decisions with respect to our route network are in part governed by the availability of air traffic rights and landing and departure slots, as certain limitations on their availability may prevent us from increasing flight capacity to more profitable or higher demand destinations.

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

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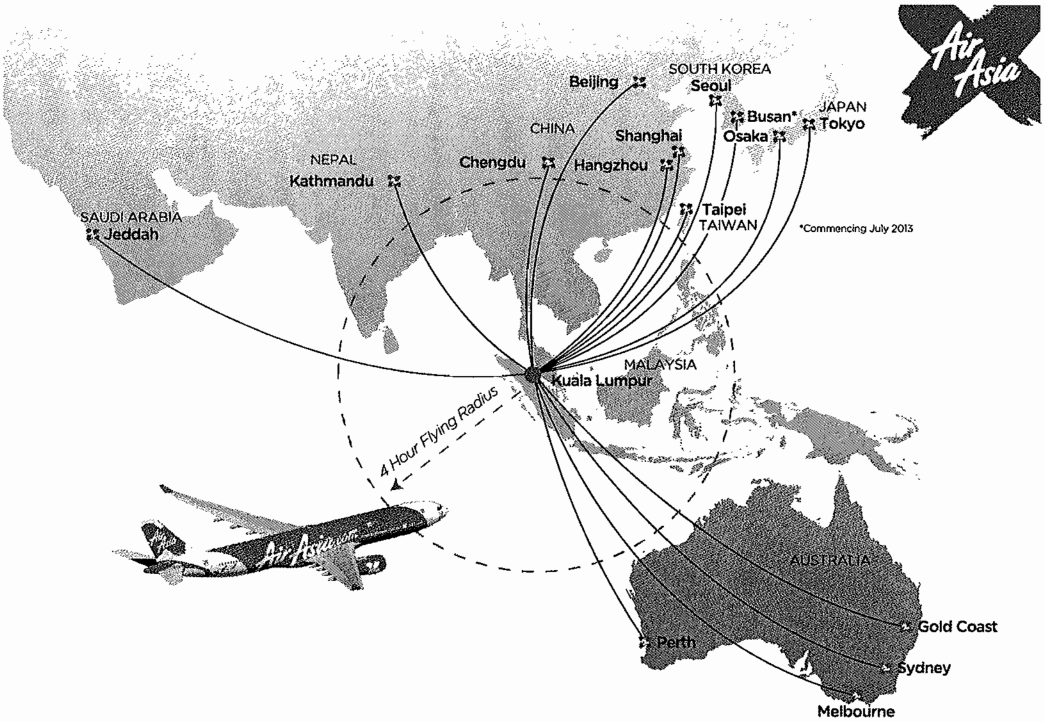
7.6.3 Current Routes

As at the LPD, we operated regular scheduled services on 14 point-to-point routes covering 7 countries, with an additional destination (Busan) scheduled to commence in July 2013. We focus on providing Long-haul services and, therefore, all our destinations are at least 4 hours flight time and at least 1,700 nautical miles from our hub.

The following route map illustrates our scheduled route network as at the LPD.



The table below indicates the frequency of scheduled flights that we operate or plan to operate to the various destinations as at the LPD.

Destination City	Route Commencement Date	Current or Planned Flights/Week
Gold Coast	2 November 2007	5x
Perth	2 November 2008	9x
Melbourne	12 November 2008	7x
Sydney	1 April 2012	7x
Hangzhou	4 February 2008	5x
Chengdu	20 October 2009	5x
Beijing	23 June 2012	7x
Shanghai	19 February 2013	6x
Taipei	1 July 2009	7x
Tokyo	9 December 2010	7x
Osaka	30 November 2011	4x
Seoul	1 November 2010	7x
Kathmandu	3 July 2012	4x
Jeddah	16 February 2013	3x
Busan	15 July 2013	4x

7. BUSINESS OVERVIEW (cont'd)

Through our association with the AirAsia Group, passengers on our flights may connect to destinations across the Asia Pacific Region on routes served by other AirAsia Group carriers. Similarly, we are also able to more readily access the other AirAsia Group carriers' passengers in order to fill our flights departing from our hub in Kuala Lumpur. The entire AirAsia Group network, consisting of 6 airlines serving 91 destinations from 16 hubs as at the LPD, gives us access to a much larger passenger base than the markets that we serve directly. The following illustrates the destinations served by the AirAsia Group as at the LPD.

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7.6.4 Future Routes

We currently conduct substantially all of our operations and generate substantially all of our revenue, in the Asia Pacific Region. In the near term, we expect to focus on markets with strong prospects of profitability and prioritise capacity towards launching new routes and expanding frequency into Australia, China, Taiwan, Japan and Korea. In addition to taking advantage of the anticipated extensive growth opportunities in traffic within the Asia Pacific Region, the rationale for the focus on these core markets is:

(i) to build a strong market leadership position in selected regions, instead of having a smaller presence which results in limited service options for passengers and less pricing flexibility;

(ii) to maximise marketing and brand awareness in existing markets;

(iii) to spread fixed operational costs over a greater passenger base to reduce fixed costs per passenger; and

(iv) to enhance schedule choices for passengers, which we expect would generate strong levels of demand.

7.6.5 Withdrawn Routes

Based on our continual analysis of our route network, we have withdrawn from certain routes and markets to improve our overall route network and improve our results of operations. In January 2012, we announced our withdrawal from the London, Paris, Mumbai and Delhi routes. Subsequently in March 2012, we announced our withdrawal from the Christchurch route. The table below sets out when we commenced and ceased flight services to the withdrawn routes.

Withdrawn Routes	Commencement Date	Cessation Date
London	11 March 2009	16 April 2012
Paris	14 February 2011	31 March 2012
Mumbai	6 May 2010	1 February 2012
Delhi	4 August 2010	23 March 2012
Christchurch	1 April 2011	31 May 2012

Following the withdrawal from these routes, all affected customers were offered refunds, re-routes through one of our destinations, or reaccommodated via another airline.

(i) We deployed our A340-300s on the London and Paris routes due to the extended range and longer flight times of those routes, which could not be met by our A330-300s. However, the 10-year older A340-300s were less fuel efficient than our brand new A330-300s, which was further compounded by sharp increases in fuel prices since we commenced flights to London in March 2009 and to Paris in February 2011.

The eurozone crisis negatively impacted the European market for leisure air travel. In addition, the European Union applied the European Union Emission Trading System (ETS) to the aviation sector commencing from 1 January 2012, which would have required us to pass on the related emissions costs/tax to our passengers. Attempts to increase fares to reflect the higher operating cost demonstrated the high price elasticity of travel, with demand falling. Operating efficiency, rising fuel costs, the depressed leisure air travel market in Europe and emissions costs to our passengers combined to make the London and Paris routes uneconomical and no longer viable for us to operate.

For the years ended 31 December 2011 and 31 December 2012, the London and Paris routes collectively accounted for approximately RM351.4 million and RM103.3 million of our revenue respectively, and approximately RM92.7 million and RM65.9 million of our LBT respectively.

(ii) Our load factors on the Mumbai and Delhi routes were relatively low, averaging approximately 72%, since we started servicing these routes. These routes came under additional pressure when the Malaysian government removed visa-on-arrival facilities in August 2010 soon after the routes were launched. This placed Malaysia at a significant disadvantage vis-à-vis Thailand and Singapore, which offer Indian tourists convenient visa-on-arrival facilities and visa-free entry, respectively. Demand for flights to and from India was expected to be further weakened due to massive increases in airport taxes, fees and handling charges, which were already high, as compared to our destinations in Australia. For example, in May 2012, Delhi airport increased airport fees by 346%. These increases, occurring in a high fuel price environment, made the economics of our already loss-making Delhi and Mumbai routes even less attractive.

For the years ended 31 December 2011 and 31 December 2012, the Mumbai and Delhi routes collectively accounted for approximately RM154.6 million and RM28.6 million of our revenue respectively, and approximately RM36.5 million and RM4.4 million of our LBT respectively.

Although AirAsia Berhad is currently in the process of establishing a low-cost airline in India together with 2 other joint venture partners via AirAsia (India) Private Limited ("**AirAsia India**") which is expected to commence operations in September 2013 (source: AirAsia Berhad's announcement dated 18 April 2013), we do not have any immediate or specific plans to recommence servicing flights to India. However, we do foresee opportunities that we may be able to leverage on the potential of AirAsia India's feeder network with that of our overall business model and strategy. Any such decision to recommence flights to India would be subject to factors that we typically take into account in determining and evaluating new routes, such as strategic fit with our existing route network, passenger demand and potential, competition as well as the economic feasibility to establish any routes to India, including the success of AirAsia India's operations and network.

Under the Indian Air Transport guidelines, any Indian air transport undertaking shall be eligible to apply for operation of international scheduled air transportation, if it is in possession of, amongst others, a minimum of 5 years' experience of continuous operation of domestic scheduled air transport services.

(iii) Christchurch is mainly a leisure destination for Malaysians; a series of earthquakes in Christchurch, especially the one in February 2011 which resulted in severe damage to the city and significant fatalities shortly before our inaugural flight, and the post-earthquake rebuilding efforts reduced Christchurch's attractiveness as a tourist destination. Although we needed to offer promotional fares to stimulate demand, increasing fuel costs limited our ability to offer low fares on that route. In a high fuel price environment, the Christchurch route became an unprofitable route for us to operate.

For the years ended 31 December 2011 and 31 December 2012, the Christchurch route accounted for approximately RM78.5 million and RM48.1 million of our revenue respectively, and approximately RM37.5 million and RM12.7 million of our LBT respectively.

Following from the withdrawals, we have fully redeployed the A330-300s (used on the Mumbai, Delhi and Christchurch routes) and other resources to new routes and increased frequencies to destinations with better market potential, while the A340-300s that previously served the London and Paris routes are currently wet-leased. The Malaysian government granted us approval in December 2011 to commence flight services to Sydney, Australia (a destination for which we had lobbied intensely since 2009), and approval in January 2012 to increase flight frequencies to Haneda, Japan. These route approvals created new opportunities for us to service markets that offer greater prospects and that are consistent with our current route focus. Our decision to exit from unprofitable routes and redeploy aircraft to new routes resulted in improved operating cost efficiencies and consolidation of the network to focus on our core markets of Australia, China, Taiwan, Japan and Korea where we have established stable, profitable routes with an infrastructure that supports low-cost services. We intend to focus on opening up new routes within these markets, as well as increasing frequencies on existing routes.

In addition, on 15 October 2012, we terminated our service to Tehran (which we commenced service on 4 August 2010) due to the challenging economic and business conditions in Iran, including the volatility of the Iranian currency. We do not have any immediate plans to resume service to Tehran. Consistent with aircraft previously deployed to our other withdrawn routes, we have re-deployed our aircraft previously serving our Tehran route to increase frequencies in other more profitable markets since December 2012.

7.7 How We Fill Our Planes

7.7.1 Revenue Management

(i) Route Maturity

A key factor that affects our overall passenger volume and profitability is the maturity of our routes, or the period of time that we service each particular route. Generally, when we begin service to a new route we experience lower load factors as the local population in the new market may be less aware of our services or the AirAsia brand. Therefore, we tend to start with lower fares initially to stimulate local demand for our services. As load factors improve over time, we increase our fares to our standard levels.

(ii) Fare Pricing Scheme

We have a multiple fare pricing structure, and fares are based on one-way travel. We utilise a revenue management system, comprising of airRM, InFare and NewSkies 3.2 Reservation System (see Section 7.8.5 of this Prospectus for a description of these software programmes), to dynamically manage our revenue from passenger seat sales. Through the system, we continually monitor and adjust our fares based on, among other data, the date of the flight, the forecasted and actual demand for the flight and how far before the departure date the ticket purchase is made. We analyse these data, as well as other data, including those related to our competitors' products (flight frequency, timing, aircraft type, market share, choice of seat class) to optimise our revenue from passenger seat sales while remaining competitive.

7.7.2 Marketing, Advertising and Promotions

(i) General Marketing, Advertising and Promotions

We are focused on raising public awareness of our main value proposition that people can now fly further with cheaper prices than those offered by full-service carriers. Our tagline, "Now Everyone Can Fly Xtra Long!" emphasises our mission to be the foremost low-cost, Long-haul airline globally. We have maximised our global brand recognition and awareness of the services that we provide by a mix of high profile sponsorship, effective marketing and promoting brand awareness.

Since commencement of operations, we have leveraged the strength of the global AirAsia brand, which has enabled us to minimise our start-up costs and time-to-market. The AirAsia brand enjoys global visibility and recognition, with branding campaigns including world class sports properties such as Formula One Grand Prix through the current sponsorship of Team Caterham and past sponsorship of Team AT&T Williams, Barclays English Premier League through the current sponsorship of Queens Park Rangers and past sponsorship of Manchester United, the sponsorship of British MotoGP and the past sponsorship of the Oakland Raiders team in the National Football League.

We conduct direct-to-consumer marketing by advertising and marketing on various platforms including in print, on air, on the ground, via publicity from the press and digital/online marketing. The AirAsia Group's digital media properties also provide us with a wide customer reach. We believe the www.airasia.com website is a top travel-related website in Asia and one of the most active e-commerce platforms in Asia, with over 9 million average monthly unique visitors per month and an average of 182 million monthly page views in 2012 based on tracking by Google. There are over 6.9 million registered users of www.airasia.com to whom we send promotional emails. Finally, the AirAsia Group also actively promotes itself within and engages with users across social media platforms, such as Facebook, Twitter and Weibo, with 3.5 million fans, 1.1 million followers and 988 thousand fans, respectively, as at the LPD, making AirAsia one of the most active airline social media brands, as compared to the top 10 (ranked by operating revenue) FSCs and LCCs in the Asia Pacific Region which reported financial and operating performance.

We also engage our passengers through contests, such as competitions to name our new aircraft, innovative destination marketing and aggressive destination and price-based marketing, ground activities and partnerships with various government and non-governmental entities. We are also able to leverage our relationship with the AirAsia Group by collaborating in events such as the Football Masters and the Barclays Premium League Trophy Tour, which allows us to expose and market our services to a wider audience. Finally, we actively participate in travel fairs and events around the world to increase brand exposure to the public.

In 2012, 32% of our advertising expenses were allocated to the digital space, 26% to print, 16% to outdoor, 12% to production, 9% to television and radio and 5% to events and sponsorships. We utilise the digital media platforms as our primary marketing channel.

(ii) Our Shareholders' Benefit Programme

INVESTORS ARE ADVISED TO READ, FULLY UNDERSTAND AND CAREFULLY CONSIDER THE CONTENTS OF THIS PROSPECTUS IN ITS ENTIRETY, AND NOT BASE YOUR INVESTMENT DECISION IN OUR SHARES SOLELY ON OUR SHAREHOLDERS' BENEFIT PROGRAM OR THE INAUGURAL BENEFIT, AS DESCRIBED BELOW.

As part of our promotional activities to create further public awareness and in conjunction with our Listing, we have also implemented the Shareholders' Benefit Programme as an incentive programme for our shareholders. The Shareholders' Benefit Programme is introduced to give recognition and appreciation to our shareholders for their continued support and for being part of the AirAsia X family. Shareholders who qualify under this Shareholders' Benefit Programme will be entitled to take part in and enjoy the benefits offered, such as AirAsia X zero fare return air tickets under our Inaugural Benefit, subject to the fulfilment of eligibility as well as the applicable terms and conditions of such benefits.

We believe the Shareholders' Benefit Programme will serve as an effective marketing initiative and tool to encourage our shareholders who qualify to travel with AirAsia X instead of with our competitors, depending on the nature and type of benefits extended. This may result in improving our Company's business as well as of our passenger load factor.

All our shareholders, except for those who are directors and employees of the AirAsia Group, are able to participate in our Shareholders' Benefit Programme and to enjoy any such benefits introduced, subject to applicable terms and conditions including any eligibility criteria being met. The programme will be effective from the date of Listing until terminated by our Board, at our Board's sole discretion.

Certain benefits under our Shareholders' Benefit Programme may be offered or introduced from time to time in whatsoever form or nature throughout the duration of the programme. We also reserve our rights to introduce, amend or withdraw any benefits as well as any eligibility criteria in connection with the Shareholders' Benefit Programme from time to time, at our sole discretion, save for the Inaugural Benefit including its eligibility criteria and associated terms and conditions.

To enquire about available benefits, eligibility criteria or any other general enquiries relating to our Shareholders' Benefit Programme, shareholders can contact us at:

(a) aax_shareholder@airasia.com; or

(b) The AirAsia X Premium Line (600 85 888) during operating hours from 9.00 a.m. to 6.00 p.m. Monday to Sunday.

For our IPO, we have introduced the Inaugural Benefit which entitles eligible shareholders to zero fare return air tickets to any AirAsia X's destinations originating from Malaysia. Eligibility to redeem such AirAsia X zero fare return air tickets is dependent on our shareholders holding at least 10,000 or 100,000 IPO Shares and continuing to hold such minimum number of IPO Shares for a pre-determined timeframe. The detailed terms and conditions and eligibility criteria applicable to the Inaugural Benefit are set out in Annexure C of this Prospectus.

The Inaugural Benefit will result in an impact to our financial statements going forward, further details of which are set out in Note 2.3(b) of Appendix A of the pro forma consolidated balance sheet in Section 12.22 of this Prospectus.

While the Inaugural Benefit will be exclusive and remain unchanged to those shareholders who are eligible during the duration of the Inaugural Benefit, there is no assurance that the benefits in the form of AirAsia X zero fare return air tickets will not apply to other benefits which may be introduced under the Shareholders' Benefit Programe in the future. Such other benefits may include AirAsia X zero fare air tickets substantially similar to the Inaugural Benefit but governed by different eligibility criteria and other terms and conditions. Shareholders who qualify under the Inaugural Benefit may or may not also qualify for any other benefits to be introduced under our Shareholders' Benefit Programme.

There is also no assurance that we will introduce any other forms of benefits under the Shareholders' Benefit Programme in addition to that of the Inaugural Benefit as any introduction of new benefits is dependent on its nature and type; market factors; AirAsia X's marketing and promotional plans or activities; operational considerations; and any other factors. Furthermore, although all shareholders, except for those who are directors and employees of the AirAsia Group, are able to participate in our Shareholders' Benefit Programme, there is no assurance that every or any such shareholder will ultimately receive any associated benefits as the receipt of such benefits may be subject to eligibility criteria including any other terms and conditions. If in doubt, shareholders are advised to contact us at the above contact details for further information regarding the benefits, eligibility criteria and terms and conditions for any of our benefits under the Shareholders' Benefit Programme.

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7.7.3 Sales and Distribution

We market our services and execute our sales transactions through three categories of channels: direct online sales, direct offline sales and third-party sales. The table below shows the percentage of seats sold through each channel in 2010, 2011 and 2012.

	Percentage of seats sold		
	Year ended 31 December		
Description	**2010**	**2011**	**2012**
Direct Online Sales	87%	86%	84%
Direct Offline Sales	10%	4%	8%
Third Party Sales	3%	10%	8%
Total	**100%**	**100%**	**100%**

(i) Direct Online Sales

Sales from our direct online channels, which account for the largest proportion of our total sales, are made up of Internet and mobile sales.

For Internet sales, we share the www.airasia.com website with the broader AirAsia Group, on which our fares are displayed and from which our flight tickets may be purchased. The sharing of the portal with the AirAsia Group provides us with access to a wider customer base, particularly to passengers of other carriers of the AirAsia Group. Over the period from 2010 to 2012, an average of 86% of our total flight reservations were made through the website. In order to attract more passengers to purchase their tickets online, the lowest promotional fares are only made available on the website.

Our passengers may also purchase their flight tickets on their mobile phones via our mobile web portal at http://m.airasia.com. Mobile phone subscribers with Internet access are able to access the Internet through their mobile phones and make reservations on that web portal.

In addition, our partnership with Expedia enables us to sell our tickets on Expedia's website and the AirAsiaGo website and to provide tour packages sold in a bundle together with our air tickets.

(ii) Direct Offline Sales

Our direct offline sales are made through a few methods, including call centres and sales offices at airports.

We utilise the AirAsia Group sales network in Southeast Asia to facilitate direct sales of our tickets. The AirAsia Group sales network is made up of 64 travel service centres that are AirAsia-exclusive travel agents, 45 airport sales counters and 18 sales offices.

In addition to sales offices, we maintain call centres to assist passengers who wish to book their flights by phone. Our call centres based in Kuala Lumpur and China provide support to our passengers in various locations across the Asia Pacific Region. We are able to provide voice support in our passengers' local language; a passenger from a particular country in which we operate need only call the local number for support in their local language. We currently provide telephone support in Malaysia, Singapore, Australia, and with local language in Japan, Korea, and China and Taiwan. Our passengers are also able to use call centre lines in Thailand, Indonesia, Philippines, Hong Kong, Macau and India.

(iii) Third Party Sales

Our flight tickets are also available for sale through third party channels including travel agents, travel fairs and corporate accounts.

We currently maintain a network of more than 2,000 "skyagents" (which are non-exclusive travel agent partners which may sell seats on other airlines), of which 95% are located in the Asia Pacific Region, to assist us in ticket sales.

Aside from the above, we also distribute tickets through global reservations systems operated by Amadeus IT Group, S.A., Abacus International Pte Ltd and TravelSky Technology (Hong Kong) Ltd., which allow travel agents worldwide to access our fares, schedules and ancillary products.

7.7.4 Ancillary Products

As a low-cost carrier, our business model is to offer our passengers fares that are substantially lower than those offered by FSCs and, at the same time, cater to our more discerning passengers by giving them the option to purchase any of our innovative ancillary products and services. By providing ancillary products on an as-demanded basis, we minimise waste and weight and our passengers do not have to absorb the cost of products they do not desire, by paying higher, all-inclusive fares.

We are the first low-cost, Long-haul carrier globally to install a flat-bed seating class, introduce tiered baggage fees, provide in-flight entertainment, offer pre-booked food options and offer seat selection options. We pioneered the "Fly-Thru" service in the low-cost carrier market, which allows for seamless connection without having to obtain a visa when transiting at KLIA to other AirAsia Group destinations outside Malaysia.

We produced ancillary revenue per passenger of USD46.07 in 2012 and USD48.82 for the 3 months ended 31 March 2013. According to S-A-P, our ancillary revenue per passenger of USD38.92 in 2010 was the highest, and our ancillary revenue per passenger of USD40.09 in 2011 was the fourth highest of the global airlines that reported such revenue.

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(i) Seat Fees

Seat fees include fees for Pick-a-Seat (which allows passengers to pre-book seats up to 1 hour before scheduled departure time) and Hot Seats (seats with extra legroom). In addition, through our business partner Optiontown (a third party travel option provider) we offer our passengers preferred seating options such as an Upgrade Travel Option (by which guests can bid for an upgrade to a Premium FlatBed seat at a fraction of the premium fare, subject to availability 4 hours prior to scheduled departure time) and an Empty Seat Option (by which a guest can purchase, for a nominal fee, an option to have all 3 seats in a row to themselves, subject to availability 4 hours prior to scheduled departure time).

Our "Quiet Zone" is an additional option exclusively for guests who are above age 12. The "Quiet Zone" is located at the front of the aircraft directly behind the Premium Flatbed area. The "Quiet Zone" features a quieter ambiance with soft lighting, offering a more relaxing cabin atmosphere. The "Quiet Zone" option may be selected in the pick-a-seat option during the booking process, with no extra charge currently imposed for this option except for the standard Pick-a-Seat fee.

(ii) Change Fees

Passengers may change their flights up to 48 hours before the scheduled departure time subject to payment of a change fee per passenger per sector (not applicable to Premium fares) and any applicable difference.

(iii) Convenience Fees (now known as Processing Fee)

We charge a non-refundable processing fee for online payment through credit, debit or charge cards. The fee is charged per guest per sector of travel and only applies to the initial booking and not to changes to existing bookings. Processing fee does not apply to direct debit payments.

(iv) "Fly-Thru" Fees

In October 2010, we began offering "Fly-Thru" service to our passengers. By purchasing this option, passengers have the convenience of transferring between two different flights of the AirAsia Group via the transit hall with no transit visa required. Their bags are automatically transferred from their first flight to the second flight without the need to re-check baggage for their second flight. Since June 2012, our "Fly-Thru" service has been extended to enable passengers to connect to and from selected Malaysian destinations (currently Langkawi, Penang, Kota Kinabalu and Kuching) with their baggage checked through to their final destination.

(v) Baggage Fees

Passengers are able to purchase up to 40kg baggage allowance with a charge levied on blocks of 5kg, starting from 15kg. We also levy a charge on certain sports equipment.

(vi) In-flight Sales

Passengers may purchase in-flight meals and in-flight entertainment up to 24 hours before their flight. Our in-flight meals are catered by different vendors; passengers have an extensive menu to choose from. In-flight entertainment on all our flights is provided by way of portable media players. Passengers may also purchase in-flight meals and entertainment on board without pre-booking, subject to availability. Aside from in-flight entertainment and meals, we also sell souvenirs and duty free products on board our aircraft.

(vii) Loyalty Programme

Our passengers have the opportunity to join the AirAsia BIG Loyalty Programme, which was launched by AirAsia Berhad in 2011 to create and retain passenger loyalty. Membership is open to all our passengers as well as the general public. Members of the programme earn points for buying tickets on any flight operated by an AirAsia Group carrier and for purchasing any ancillary service, on hotel stays, travel packages, car rentals and other spending with various partners, including AirAsia Megastore, AirAsia Go, Tune Hotels, Hotel Properties Limited, Healthway Medical Group and Budget car rentals. Members may redeem points in full or through a cash top-up for air travel on flights operated by any AirAsia Group member, AirAsia gift vouchers, AirAsia merchandise, travel packages by AirAsia Go and hotel stays at Tune Hotels. When a member redeems the points for AirAsia X tickets, the operating company owning the AirAsia BIG Loyalty Programme pays AirAsia X for the seat. The number of points required to redeem a seat depends on the number of seats available on, and the destination of, the particular flight for which redemption is to be made.

(viii) Travel Insurance

Through the AirAsia Insure product, we offer travel insurance to our passengers. Benefits and coverage may differ from country to country, but generally all policies provide coverage for trip cancellation, flight delay and damage to or loss of baggage and personal effects.

(ix) Red Carpet Service

In February 2013, we introduced the Red Carpet Service, which includes a dedicated check-in counter, priority baggage tagging and loading, access to the Plaza Premium lounge at LCCT, fast track immigration and security clearance and priority boarding with buggy service to the bay (subject to aircraft parking bay distance) which includes priority baggage delivery upon arrival.

7.7.5 Cargo

Most of the airports in our network are primary air cargo hubs serving major industrial and commercial regions. We have dedicated cargo space on all our aircraft, and we carry various types of consumer and industrial goods.

Our cargo revenue and its percentage contribution to our total revenue since we started commercialising our cargo space in 2008 up to 2012 and the 3 months ended 31 March 2013 are shown in the table below:

	Year ended 31 December					3 months ended 31 March
Description	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Cargo revenue (RM 000)	5,385	27,262	54,966	96,471	79,267	19,914
Cargo as a % of total revenue	2.3%	3.8%	4.3%	5.2%	4.0%	3.7%

Our cargo revenue grew in both absolute terms and as a percentage of our total revenue from 2008 to 2011, but subsequently decreased from 2011 to 2012. The growth in cargo can be attributable to an aggressive pricing strategy and high operational reliability, both in terms of on-time performance of our flights and delivery efficiency. The decrease from 2011 to 2012 is primarily due to the cargo revenue attributable to our withdrawn routes in 2012.

We have a Departed-as-Planned ratio (the percentage of time cargo is flown at time booked) of 96.1% in 2012, which we believe is higher than the industry average. Our customer service for our cargo clients has been recognised by Air Cargo Week, which awarded the Air Cargo Industry Customer Care Award in 2011 and in 2012 to us and AirAsia Berhad jointly. The award is conferred based on industry votes and other criteria such as customer services, customer care policy and strategy for problem solving.

7.7.6 Major Customers

Our customers are primarily individuals travelling by air. No customer accounted for 10% or more of our Group's total revenue in any of the years ended 31 December 2010, 2011 and 2012 and the 3 months ended 31 March 2013.

For details on revenue generated by passenger seat sales, please refer to Sections 12.6.1 and 12.8 of this Prospectus.

7.8 How We Serve Our Passengers

7.8.1 Fuel

The largest component of our total operating expenses is fuel, which includes payments for jet fuel and other into-plane costs, such as airfield fees, throughput fees and other administrative and processing surcharges. Fuel expenses represented 45.3%, 52.6% and 48.1% of our total operating expenses in the years ended 31 December 2010, 2011 and 2012, respectively. For the 3 months ended 31 March 2013, fuel expenses represented 47.4% of our total operating expenses.

We currently engage in the following activities to minimise inherent risks of rising fuel costs:

(i) Fuel Procurement

To maintain competitive ticket prices, we seek to procure fuel at the best possible rates. Our largest fuel supplier currently is Petronas Dagangan Berhad in Malaysia where we uplift most of the fuel requirements in LCCT. Other fuel suppliers are mainly at the airports of our destinations.

We negotiate our fuel contracts together with AirAsia Berhad and other members of the AirAsia Group as the combined volume of fuel required by the AirAsia Group allows us to negotiate better prices than if we were to procure our fuel on a standalone basis.

The fuel procurement team of the AirAsia Group has a practice whereby the team makes recommendations to the Chief Financial Officers of the respective carriers in the AirAsia Group, who then decide if they would like to procure fuel on the basis quoted. The AirAsia Group sources its fuel in various ways, including extension or renewal of fuel supply contracts, open or closed tender and evergreen contracts. The factors taken into consideration when procuring fuel include the relationship with the supplier, the contract period and whether any charges, taxes or fees will be imposed. We procure fuel by, among other things, developing good commercial relationships, negotiating for favourable prices and terms and securing the commitments from fuel suppliers. In terms of fuel availability, we have not experienced any fuel shortage in the past.

(ii) Fuel Management Policy

To help minimise our fuel burn rate, we implement various fuel management techniques. These techniques include the implementation of clear guidelines covering all areas of flight operations such as controls over the total weight carried on our aircraft in order to minimise our fuel burn rate. This includes allowing the aircraft to reach optimum height within the shortest amount of time, determining the optimum flight level to match the engine performance versus weight as less fuel is consumed at optimum height, applying best practice flying techniques for all flight profiles by taking straight-line flight paths and at fuel-efficient speeds as much as possible, and decreasing the overall weight of the aircraft by, among other things, matching supply with demand for food and beverages, on-board documents and water.

(iii) Fuel Hedging

Additionally we also conduct fuel hedging activities as detailed below:

Hedging position - We currently target to hedge between 30% and 50% of our fuel requirement for 3 to 6 months' forward sales. However, the actual amount hedged could differ depending on various factors such as macroeconomic factors and forward and forecast jet fuel prices. For example, in the event that forecast fuel price is expected to drop below our budgeted price, we may not hedge as it would be more advantageous to procure fuel at market prices. On the other hand, in the event that forecast fuel price is expected to increase above the price quoted in our orders, the counterparties may not accept our orders unless at a significantly higher premium. Notwithstanding the above, we do not hedge more than our expected fuel consumption.

For the year ended 31 December 2012, approximately 40% of our total fuel consumed during the period was hedged. As at 23 May 2013, a total of 42%, 31%, 27% and 5% of our projected fuel consumption for the 2nd, 3rd and 4th quarter of 2013 and 1st quarter of 2014, respectively, have been hedged.

Hedging instruments – The underlying contracts are plain vanilla or conventional fixed swaps hedging instruments, hence avoiding any complexities associated with other more complicated derivative contracts. By generally engaging reputable financial institutions for such contracts, counterparty risks are limited. The forward price at which the fuel is hedged is determined collectively by the AirAsia Group's Financial Risk Management Committee ("**FRMC**") of which we are a member, taking into account the budgeted fuel price for the year. Hedging savings are recorded in the event that the actual market price of fuel is above the hedged price. In the event that the actual market price is below the hedged price, the difference represents the additional price we have to pay above market price, which in turn may affect our cost competitiveness should the difference be significant.

Hedging participation – We engage in fuel hedging through the AirAsia Group, in particular the FRMC. The hedging proposals structured by counterparties are analysed by AirAsia Berhad's treasury team, taking into account the collective budgeted fuel demand of the AirAsia Group. The FRMC then deliberates and recommends the appropriate hedging proposals to its member carriers. This collective hedging with the AirAsia Group allows us to negotiate for pricing, cost and risk structures that are more favourable to us, due to increased bargaining position from economies of scale, as opposed to only undertaking fuel hedging activities by ourselves.

In terms of participation by the member carriers, there are no set parameters for each carrier to participate in the recommended transaction, and we can elect whether to participate in each transaction or not, taking into account our own fuel hedging plans, financial portfolio, cost of transaction as well as our risk appetite. We are not bound by any requirement to follow the recommended hedging structure should we believe such structure is not optimal for our hedging requirements, and we are entitled to request AirAsia Berhad's treasury team to enter into such other types of hedging structures on our behalf, if required.

These fuel hedging contracts are entered into by AirAsia Berhad where gains and losses are apportioned when the hedging contracts mature based on the amount of fuel hedged by the respective participating members of the AirAsia Group, divided by the total budgeted amount of fuel hedged by the AirAsia Group. We do not enter into any fuel hedging contracts directly as such contracts are negotiated and entered into by AirAsia Berhad directly with the counterparties. Consequently, any gain or loss arising from fuel hedging is recognised when risk transfers to our Group, namely upon allocation by AirAsia Berhad to us when the hedge matures.

In the event we do not meet or deviate from our hedging targets, we will consider other options, namely fuel surcharge as mentioned in (iv) below to pass on a portion of our fuel expenses to passengers. Although our Board is not directly involved in managing such deviations, our hedging activities are presented to our Audit Committee for review during our quarterly meetings, where the Audit Committee is briefed on the nature and pricing of the hedges we have participated in, together with a sensitivity analysis on pricing.

As a result of our hedging activities, we managed to achieve the following fuel cost savings / (loss) through hedging during the following periods under review:

	Year ended 31 December		
	2010	**2011**	**2012**
Net hedging savings / (loss) per barrel (USD)	2.32	0.30	(0.14)
Average fuel price per barrel (USD)[(1)]	92.50	127.80	129.59
% savings / (loss) compared to average fuel price	2.5	0.2	(0.1)

Note:

(1) Calculated as average price for fuel oil for the period based on the reported mean price of fuel oil reported by Platts, a global provider of energy, petrochemicals and metals information, and a source of benchmark price assessments for those commodity markets.

(iv) Fuel Surcharge

We also pass a portion of fuel price increases to our passengers in the form of fuel surcharges, which is determined periodically depending on the market price of fuel in addition to our level of flight operations.

See Section 5.2.5 of this Prospectus for a discussion of the risks related to increases in the cost of fuel or limitations on fuel supply.

We are represented by our Chief Executive Officer and Chief Financial Officer in the FRMC, and likewise for the other airlines within the AirAsia Group. The FRMC is tasked with the broad objective of managing the market risk exposures inherent in the AirAsia Group's commercial operations, so as to reduce the potentially adverse impact of these risks on the group's earnings and cash flows, while at all times operating within constraints such as corporate risk appetites, various pricing / cost benchmarks as well as the management of credit and operational risk arising from treasury transactions and operations. The AirAsia Berhad treasury team provides market updates and hedging recommendations on a continual basis to the members of the AirAsia Group through the FRMC. Currently, we largely conduct only fuel hedging activities through the FRMC.

7.8.2 Engineering and Maintenance

We have a comprehensive engineering programme comprised of technical services, maintenance, planning, quality assurance, procurement and inventory. All our maintenance programmes are based on the aircraft manufacturer's guidelines and the requirements of the DCA.

We have been approved by the DCA as an Approved Line Maintenance Organisation for A330-300 and A340-300 since October 2007 and an Approved Design Organisation since December 2011. The line maintenance approval allows us to conduct routine or scheduled maintenance on our aircraft, which is carried out according to the types of checks required. The design approval allows us to perform more complex maintenance procedures than an ordinary line check; we can carry out minor changes and repairs including changes and repairs to aircraft structure, cabin interior and the interior equipment.

Our own technical staff perform our 'A' checks. We have outsourced 'C' checks in 2011 and 2012 to Lufthansa Technik Philippines, Inc., which also performs some aircraft upgrade and modification work.

To enable us to be kept updated with the latest developments and to obtain the best in aircraft engineering and maintenance service, we have long term service agreements, generally with terms ranging from 3 years to 20 years, with a number of major servicers in the industry, including our fleet supplier Airbus, which provides aircraft retrofit, modification and upgrade, aircraft spare part supply, aircraft technical support and aircraft health monitoring services to us.

Our aircraft currently utilise engines from Rolls-Royce plc, GE Engine Services Distribution LLC and CFM International Inc. We have long term service agreements with Rolls-Royce plc and its affiliates pursuant to which these parties provide engine maintenance, repair and overhaul services, component support, engine technical support, spare engine support and an engine health monitoring programme. GE Engine Services Distribution LLC and CFM International Inc. also provide engine maintenance, repair, overhaul and technical support services. Honeywell International Sàrl provides us maintenance and exchange services for our auxiliary power units.

We have recorded no major incidents relating to our aircraft which can be attributed to maintenance or engineering faults of our own. Major incidents are major hazardous occurrences other than accidents, associated with the operation of an aircraft which affects or could affect the safety of operation, such as multiple malfunctions of one or more aircraft systems seriously affecting the operations of the aircraft.

7.8.3 Airport Operations

(i) Airport Handling Service

Our Company has all the required licences and agreements to operate at all of our international destinations. These licences and agreements allow us to utilise a wide range of support and ground services available at various airports, including the use of airport equipment and facilities, terminals and related services.

The ground handling services that our airline requires for all our flights include ramp, cargo and baggage handling. To keep costs low, we outsource our handling services to third parties that adhere to international standards and best practices.

(ii) Airport Charges

Airport charges are imposed on our Company at every destination to which we fly. These charges are made up of various fees, which include landing and parking fees at airports and security fees. To manage such costs, we make every effort to ensure that we obtain favourable rates at all airports that we fly to by demonstrating our ability to increase passenger traffic to and from the airports we serve.

7.8.4 People and Training

(i) Our People

Our Company had 1,094, 1,245 and 1,300 employees (including contract staff) as at 31 December 2010, 2011 and 2012, respectively. As at the LPD, we had a total of 1,459 employees. Our employee composition, by function and geographic location are set out as follows:

7. BUSINESS OVERVIEW (cont'd)

Function	Number of Employees as at											
	31 December 2010			31 December 2011			31 December 2012			LPD		
	P(1)	C(2)	Total	P(1)	C(2)	Total	P(1)	C(2)	Total	P(1)	C(2)	Total
Operations	137	10	147	209	17	226	214	41	255	322	37	359
Engineering	183	-	183	209	-	209	219	-	219	234	1	235
Flight Operations – Crew	-	152	152	160	22	182	158	15	173	161	19	180
Flight Operations – Flight Attendant Department	290	265	555	289	246	535	315	217	532	342	206	548
Head Office and Corporate	28	-	28	55	-	55	85	-	85	89	-	89
Commercial and Marketing	27	2	29	34	4	38	33	3	36	45	3	48
Total	**665**	**429**	**1,094**	**956**	**289**	**1,245**	**1,024**	**276**	**1,300**	**1,193**	**266**	**1,459**

Location	Number of Employees as at			
	31 December 2010	31 December 2011	31 December 2012	LPD
Malaysia	1,052	1,195	1,252	1,409
Australia	7	5	8	8
China	11	11	13	14
Taiwan	7	8	9	9
UK	2	2	1	1
India	9	11	1	1
Korea	3	5	8	9
Japan	2	4	5	5
France	1	2	2	2
New Zealand	-	2	-	-
USA	-	-	1	1
Total	**1,094**	**1,245**	**1,300**	**1,459**

Notes:

(1) Permanent staff.

(2) Contract staff.

Our employees are not unionised and we have not experienced any material industrial disruption duê to labour strikes, work stoppages or labour disputes in the past. Our management team enjoys a good working relationship with our employees. We are not involved in any material labour dispute that has a material effect on our financial position and business, and we are not aware of any circumstances that would give rise to any labour dispute that may materially and adversely affect our financial position and business.

As at the LPD, our Company employed a total of 160 foreign employees based in Malaysia, who mainly serve as captains and flight attendants. These foreign employees are typically employed for a period of 2 years. Any extension of their work permits is subject to applicable Malaysian immigration laws and their satisfactory work performance. In addition, we have 50 employees based in various overseas locations, primarily in airport operations and marketing.

(ii) Training

We require our people to comply with training requirements relevant to their responsibilities. Due to the highly regulated nature of the aviation industry, there are extensive mandatory or regulatory training requirements, both recurrent and non-recurrent. In addition, as part of our Company's efforts to remain aware of latest developments, we offer training programmes which may not necessarily be mandated by law but which we believe contribute towards the improvement of our operations.

The majority of our training programmes are centered on technical competence, specifically the skills of our pilots, flight attendants and engineers. There are also various training requirements imposed on our security and guest services teams.

(a) Pilots

Newly recruited pilots (who each must already be qualified with an Airline Transport Pilot's Licence) are required to attend the Standard Training Conversion (STC) programme. The STC programme includes line checks, runs for approximately a month and is conducted by our own in-house instructors. All pilots are also required to attend the Crew Resource Management (CRM) programme to equip themselves with the necessary leadership and people management skills.

Pilots who do not have the particular type-rating for aircraft in our fleet must undergo additional type-rating training in order to qualify to operate our aircraft. In addition, our pilots are also required to undergo a bi-annual training programme to refresh their skills. The programme is divided into 4 modules, to be completed at 6-month intervals.

(b) Flight Attendants

Our flight attendants once recruited, are required to attend a mandatory safety management system (SMS) programme, an initial entry programme that covers all the basic requirements of our fleet. Our flight attendants are also required to participate in mandatory yearly training to remain current on the particular type-rating for aircraft in our fleet.

As with the pilots, our cabin crew are also required to undertake a conversion programme if they wish to work on an aircraft that is different from the aircraft type on which they were originally trained.

(c) Engineers

Apart from the basic maintenance and technical services training, our engineers are also required to attend specific type-rating and manufacturer-related courses, depending on the type(s) of aircraft and engines on which they work. The training programmes are conducted by the respective manufacturers or an approved training organisation (for example, Asian Aviation Centre of Excellence Sdn Bhd and Sepang Aircraft Engineering Sdn Bhd). The training includes courses on type rating for A330-300/A340-300 and various engine-related courses, which are intended to equip our engineers with basic technical knowledge and trouble-shooting skills, as well as to enable our engineers to be kept up-to-date with not only the basic skill sets to maintain our aircraft but also the latest developments in aviation engineering.

(d) Security

Various courses on aviation security, including ICAO courses, are mandatory for all security officers.

Our security team also regularly participates in various forums, training workshops and training simulations with local regulatory authorities in the markets in which we operate, to keep current with latest developments.

(e) Guest Services

Our guest services team members attend a mandatory guest services initial programme intended to train them in the basic skills and knowledge required for their role. Our guest services officers are also required to attend various recurrent programmes.

(f) Safety Management System

We provide extensive training to all employees in line with our commitment to maintaining the safety and security of our passengers and our employees by encouraging our employees to understand our safety management system and to be familiar with the particular aspects of the systems that are relevant to their roles.

7.8.5 Information Technology

We share various information technology systems with the broader AirAsia Group, pursuant to the AirAsia Services Agreement between our Company and AirAsia Berhad. AirAsia Berhad invests in information technology in a manner intended to lower the AirAsia Group's costs, leading to economies of scale and improved efficiency and business continuity.

Our principal operating software system is NewSkies 3.2 Reservations System by Navitaire, Inc. ("**NewSkies**"), which we use for inventory and sales management, reservations and check-in. NewSkies operates through a single database and provides real time access to revenue information. The software fully integrates bookings received through the Internet, the nationwide call centre, sales offices, mobile phones and tablets. We have a full disaster recovery site in Sydney for NewSkies.

We also use InFare and airRM, revenue management software programmes, which are used by many airlines. InFare is a programme that monitors airline web prices and stores historical fare data, which we use to make customised searches in order to track our competitors' fares. airRM is a programme that filters flights with similar attributes and allows the user to adjust pricing automatically in accordance with rules established by the user. We set up and revise fare rules in airRM using competitors' fare data collected by InFare. We use these two programmes, together with NewSkies, to manage our revenue dynamically.

Our other principal operating software systems include Microsoft's Axapta Financial Management ("**Axapta**"), which we use for enterprise resource planning and financial reporting; Merlot Flight Operations System ("**Merlot**") by Merlot Aero Ltd which we use for flight scheduling and crew rostering; AMOS, which we use for aircraft maintenance engineering and logistics management; and Microsoft SharePoint for Intranet ("**SharePoint**"), which we use for enterprise portal, for employee self-service and collaboration.

All critical systems and data networks have redundancies for business continuity. If one server or network link fails, we switch to the back up immediately and downtime is minimal, if any.

For a more detailed discussion of the AirAsia Services Agreement with AirAsia Berhad, please refer to Section 7.9.6(ii) of this Prospectus.

7.8.6 Intellectual Property

We are a member of the AirAsia Group and use the "AirAsia" and "AirAsia X" brand and trade names, including trade and/or service marks under licence from AirAsia Berhad pursuant to the Brand Licence Amendment and Renewal Agreement. Please refer to Section 7.9.6(i) of this Prospectus for a description of the terms of the Brand Licence Amendment and Renewal Agreement.

Other than the "AirAsia" and "AirAsia X" names and the related marks and logos, we are not dependent on any other intellectual property rights for our business operations.

7.8.7 Property

As at the LPD, we did not own any real property. We, namely AirAsia X, lease the office space that we use for our corporate headquarters for a monthly rental of RM26,780.00, which is described below.

Description of property	Location/ Address	Approximate land/ Built-up area	Existing use	Lessor	Date of expiry of lease
Single storey office building, partially occupied by AirAsia X	Lot PT16, Jalan KLIA S7, Southern Support Zone, KLIA, 64000 Sepang, Selangor	4,489.33 square feet	General office and library	Sepang Aircraft Engineering Sdn Bhd	31 July 2013 (with an option to renew for one year)

We are not in breach of any lease covenants or conditions, and we are not aware of any non-compliance with current statutory requirements, land rules or building regulations by the lessor in respect of the above-mentioned property, that will have a material adverse impact on our operations as at the LPD.

7.8.8 Major Suppliers

The table below identifies suppliers that accounted for 10% or more of our cost of sales in any of the years ended 31 December 2010, 2011 and 2012, and the 3 months ended 31 March 2013, the amount we paid to each of these suppliers in each year / period and the percentage of our total cost of sales in each year / period attributable to each of those suppliers.

			Year ended 31 December						3 months ended 31 March	
			2010		2011		2012		2013	
Vendor	Nature of Service	No. of years of Relationship	RM 000	%	RM 000	%	RM 000	%	RM 000	%
Petronas Dagangan Berhad	Fuel	4	348,012	30.9	514,914	30.4	550,904	32.9	130,114	31.4
Shell Malaysia Trading Sdn Bhd	Fuel	6	136,061	12.1	139,327	8.2	111,897	6.7	11,362	2.7
Total			**484,073**	**43.0**	**654,241**	**38.6**	**662,801**	**39.6**	**141,476**	**34.1**

Fuel cost is the single largest component of our cost of sales, accounting for approximately 53.1%, 60.1%, 55.2% and 54.7% of our total cost of sales in the years ended 31 December 2010, 2011 and 2012, and the 3 months ended 31 March 2013, respectively. We enter into annual and biennial agreements with Shell Malaysia Trading Sdn Bhd and Petronas Dagangan Berhad, respectively, for our fuel requirements. We are entitled to review the pricing and quantity of the fuel supplied or to be supplied by these suppliers upon expiry of the agreements. As a result, we are not bound to engage such suppliers if we are not satisfied with the terms of the renewal agreements.

Other than the suppliers identified above, no one supplier accounted for 10% or more of our Group's total cost of sales in any of the years ended 31 December 2010, 2011 and 2012, and the 3 months ended 31 March 2013.

7.8.9 Research and Development

Our business is not dependent on research and development. Accordingly, we have not had any material spending on research and development in any of the years ended 31 December 2010, 2011 and 2012.

7.9 How We Maintain Operational Integrity

We are committed to ensuring the safety and security of our passengers and our employees. This commitment is reflected in our systematic and comprehensive safety and security management system, which is implemented in a rigorous manner. We provide extensive training to all employees involved, and we employ stringent and explicit policies and procedures, which reflect the applicable regulations, international standards and industry best practices. We staff our safety and security departments with experienced personnel who have extensive experience and knowledge in their areas of responsibility.

7.9.1 Safety

Our safety management system is part of our overall risk management programme. Risk management is targeted at the identification, analysis and mitigation of risks associated with our operations. It aims at balancing resource allocations to address all risks and ensure that viable risk control and mitigation actions are in place.

We integrate the key elements of the safety management system into our daily operations. The system is an integrated set of work beliefs, practices and procedures for monitoring and improving the safety of all aspects of our operations, identifying the potential for errors and formulating defences to ensure that the errors do not result in unwanted incidents or accidents. We utilise: (a) a reactive programme (including safety and mandatory occurrence reports); (b) a proactive programme (internal surveys, audits and safety reports); and (c) a predictive programme (flight data analysis and direct observation), for hazard identification. After a hazard is identified, we take risk control measures (i.e., assessing the risks associated with the hazard and implementing actions aimed at reducing the risks).

We have established various safety performance indicators and targets to provide us with an "early warning" of any potential safety hazard. In addition, we continuously track the indicators and measure them against our safety goals. We also track the reliability of aircraft systems and components; maintain a log of safety reports; track engineering reliability, track flight safety and cabin safety as well as ground safety observations.

With regard to flight safety, we have programmes that analyse flight data, which enable us to track any deviation by our pilots from our standard operating procedures. In addition to identifying potential areas of concern early, we use data collected from the regular tracking and reporting in evidence-based training, both at monthly pilots' dialogues and bi-annual mandatory pilot training. We also use these data to further improve our procedures.

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As part of our effort to ensure our safety management system's efficacy, we have established a Safety Review Board, whose members include the Chairman of our Board and our Chief Executive Officer, to oversee our safety function. Our Safety Review Board meets quarterly to review our safety performance against objectives, continuous improvement initiatives, and audit and investigation findings. Our Board also reviews our Company's safety performance at every quarterly Board meeting. In addition, regular internal and external audits are conducted, including audits by the DCA and similar regulatory bodies in other jurisdictions. Since we began our operations in 2007, we have passed all audits and none of our aircraft has been involved in any major incidents, which are major hazardous occurrences other than accidents, associated with the operation of an aircraft which affects or could affect the safety of operation, such as multiple malfunctions of one or more aircraft systems seriously affecting the operations of the aircraft.

7.9.2 Security

While the relevant airport operators are responsible for security screening of passengers and baggage at our domestic and international destinations, we train our staff to be vigilant in identifying potential security breaches and to handle unruly passengers. Operations employees are only hired after they have undergone a background security screening.

We provide extensive training to ensure that our employees have the appropriate skills to carry out their duties. All crew and ground handling staff are required to undergo dangerous goods awareness training to be able to identify potentially dangerous goods and items that threaten the safety of the flight (these include flammable liquids and containers that are likely to explode under pressure).

Following the terrorist attacks in the United States on 11 September 2001, ICAO adopted regulations and guidelines requiring airlines to adhere to certain security measures. These include:

(i) installation of reinforced doors and review of policies and procedures on cockpit visits;

(ii) occupying of jump seats;

(iii) removal of checked-in luggage from the aircraft when the passenger fails to board the aircraft;

(iv) review of items allowed as cabin luggage;

(v) enhanced surveillance of holding baggage; and

(vi) crew training on handling of disruptive passengers and passenger profiling.

We are in compliance with all of the DCA's and the ICAO's regulations. In addition, cockpits in all of our aircraft have reinforced, bulletproof doors. DCA carries out annual audits on our home base in Kuala Lumpur; DCA has also in the past audited our other stations, such as Melbourne and Perth. The Australia Department of Infrastructure and Transport conducts Australian Last Port Of Call (LPOC) Audits once every 2 years. Other regulatory bodies, such as the Office of Transport Security in Australia, also carry out annual audits in all our stations under their jurisdiction. We have not, to date, had any major audit findings.

7.9.3 Insurance

We maintain aviation and non-aviation insurance in connection with our operations and in some instances to comply with the terms of our aircraft financing and leasing arrangements. We believe our overall insurance coverage is consistent with industry practice and is maintained at adequate levels.

(i) Aviation Insurance

We maintain aircraft insurance, valid for operating anywhere in the world, against the following risks and with varying coverage limits:

(a) Hull All Risks (which includes aircraft engines, spare parts, components and equipment, ground support equipment, aircraft spare kits (including whilst installed or on board on aircraft) and engineers and mechanics tools) against loss and damage whilst flying and on the ground, for an agreed value for each aircraft;

(b) Hull (including spares) War and Allied Risks, as excluded by the War, Hijacking and other Perils Exclusion Clause, for an agreed value for each aircraft;

(c) Hull Deductibles (which covers the difference between the deductibles payable by us in the Hull All Risks policy (up to USD1,000,000,000) as mentioned under (a) above and USD50,000 for each and every claim); and

(d) Aircraft third party, passenger, baggage, cargo, mail and airline general third party legal liability for a combined single limit (bodily injury/property damage) (including war and allied risks); and

We maintain passenger personal injury liability insurance as required by the various airports and regulatory agencies.

All insurance policies are renewed annually. As at the date of this Prospectus, they are effective up to 14 May 2014. The rates for the above insurances are obtained together with the AirAsia Group, but the respective insurance policies are obtained specifically in the name of AirAsia X and the costs for maintaining these policies are borne solely by us.

(ii) Non-aviation Insurance

We also carry non-aviation insurance which covers our assets, properties, machinery and equipment, motor vehicle, third party public liability, employer liability and personal accident and hospitalisation insurance for our employees.

All of our non-aviation insurance policies are renewed annually. As at the LPD, they are effective up to 31 December 2013.

We do not carry insurance covering business interruptions. We have not experienced any material interruption to our business and operations since we started operating as a low-cost, Long-haul carrier.

For the past 5 years and up to the LPD, we had not made any claims or suffered any losses or damages or incurred any liabilities relating to our passengers, third parties, aircraft, assets, properties, employers and employees that has had an adverse effect on our business and financial position. None of our insurance policies have been revoked, nor have we been denied coverage by any insurer.

We believe our levels of aviation-related insurance coverage are generally in line with industry practice, and meet the requirements set by the respective lessors and pursuant to the conditions under the licences issued by the relevant government authorities. There has been no instance of non-compliance in the past. Please refer to Section 5.2.22 of this Prospectus for a discussion of risks related to our insurance coverage.

7.9.4 Interruptions To Business And Operations

Our Company had not experienced any interruption in business that had a significant effect on operations during the 12 month period prior to the LPD.

7.9.5 Regulations

The main legislation, regulations and orders in force in Malaysia relevant to civil aviation are: Civil Aviation Act 1969, Carriage By Air Act 1974, Aviation Offences Act 1984, International Interests in Mobile Equipment (Aircraft) Act 2006, Civil Aviation Regulations 1996, the Air Navigation (General) Regulations 1955, the Air Navigation (Radio) Regulations 1955, the Carriage by Air (Colonies, Protectorates and Trust Territories) Order 1953 and the Carriage by Air (Non-International Carriage) (Colonies, Protectorates and Trust Territories) Order 1953. Such legislation incorporates the principles of certain international conventions such as the Convention on International Civil Aviation, 7 December 1944 (known as the Chicago Convention), the Warsaw Convention as amended at the Hague on 28 September 1955 and supplemented by the Guadalajara Supplementary Convention signed at Guadalajara 1961, the Convention for the Unification of Certain Rules for International Carriage by Air, 28 May 1999 (known as the Montreal Convention), and the Cape Town Convention on International Interests in Mobile Equipment and the associated Protocol on Matters Specific to Aircraft Equipment.

The regulator of the airline industry in Malaysia is the DCA, an agency under the Ministry of Transport of Malaysia. The DCA regulates civil aviation affairs, especially those pertaining to aviation security and standards in Malaysia. The DCA is responsible for the regulation of all matters concerning the entry, transit and departure of aircraft, passengers, crew and cargo and further for the certification and licensing of aircraft, personnel, airports, air operators and aircraft instruments, equipment and flight documents.

(i) Aircraft requirements and licences

The Civil Aviation Regulations 1996 ("**CAR**") prescribe certain licences, permits and approvals required to be held by a carrier of passengers, mail or cargo before the carrier can legitimately operate. The regulatory body that regulates and issues such licences, permits and approvals is the DCA.

Major licences, permits and approvals required to be held by air carriers include the ASL, which permits a carrier to operate in Malaysia, and the Operator's Certificate, which certifies that the carrier has met the requirements of CAR.

In addition, each aircraft owned and/or operated by the air carrier must be registered in Malaysia on the aircraft register at the DCA. Each aircraft must also have its own certificate of airworthiness, issued by the DCA after inspection confirming that such aircraft is maintained and operated in accordance with CAR and a noise certificate certifying that such aircraft complies with the levels specified in CAR. In addition to the certificate of airworthiness, a Malaysian aircraft is required to have 2 copies of a certificate of maintenance review, certifying that the aircraft, its engine, equipment and, in particular, its radio station is maintained in accordance with approved procedures, issued by the holder of an aircraft maintenance engineer's licence. One copy is to be carried in the aircraft and the other is to be kept by the operator of the aircraft.

All aircraft that fly in or over Malaysia are required to be registered with the DCA in Malaysia (as a Malaysian aircraft) or a state that is party to the Chicago Convention or any other foreign state with a bilateral or multilateral air agreement with Malaysia.

There are additional requirements under CAR. A Malaysian aircraft must have enough flight crew (i.e., pilots and flight engineers) on board to meet the requirements of the aircraft's certificate of airworthiness and to ensure the safety of the aircraft. An aircraft registered in another country also must have the number of flight crew on board that is required by the law of its country of registration. Each member of the flight crew is required to be licensed in the appropriate class. The classes of licences granted by the DCA include commercial pilot's licence, airline transport pilot's licence, flight engineer's licence and flight radio-telephony operator's licence. In addition to flight crew, an aircraft with a seating capacity of less than 200 passengers must have at least one cabin attendant (who cannot act as a member of the flight crew) for every 50 passengers and where the aircraft carries more than 200 passengers, one cabin attendant for every main exit in the aircraft.

Upon being satisfied that the applicant has sufficient knowledge, experience, competence and skill in aeronautical engineering, the DCA will grant a licence allowing the applicant to perform line maintenance and issue certificates of release to service or reports, where required, in relation to the inspection, overhaul, repair, replacement, modification and testing in accordance with approved manufacturer's manuals and documents for certain aircraft as the DCA may specify. The DCA may also issue a design organisation approval allowing the holder to perform minor repairs and minor changes to type certification upon provision of satisfactory evidence of the qualifications and competence of the applicant, the facilities at the disposal of the applicant and the work procedures proposed by the applicant.

With regard to operations in foreign countries, operation permits are issued by the aviation authorities of the respective countries in which operations are conducted. For certain countries, such as Australia, an AOC is also required, which is issued once the Civil Aviation Safety Authority of Australia is satisfied that the Australian Civil Aviation Act is complied with.

(ii) Air Services Agreements

Relationships between countries regarding international air services are governed by bilateral air services agreements. These agreements are aimed at concluding, interpreting, expanding, amending or resolving disputes in relation to intergovernmental agreements, arrangements or understandings concerning international air services. The wide use of bilateral air service agreements globally to regulate international air transport is a result of principles agreed in the Chicago Convention, recognising the need for special permission or other authorisation for the operation of international air services in the territory of another state. These bilateral air service agreements are a result of the difficulty in establishing a multilateral commercial aviation regulatory scheme.

Malaysia has signed or is in the process of negotiating bilateral air service agreements with close to 100 states. These agreements are not publicly available. However, we believe that such bilateral services agreements contain the standard provision in the ICAO International Air Transport Agreement signed at Chicago that provides that each contracting state reserves the right to withhold or revoke a certificate or permit to an air transport enterprise of another state in any case where the withholding or revoking state is not satisfied that substantial ownership and effective control are vested in the nationals of a contracting state. The ICAO International Air Transport Agreement provides no explanation or definition of the method or criteria for determining substantial ownership and effective control of an airline. However, there is a practice internationally that the requirement of substantial ownership and effective control is met by at least 51% ownership of the airline being vested in the nationals of a contracting state. To meet this requirement of substantial ownership and effective control, at least 51% ownership of our Company must be vested in Malaysian nationals. To ensure compliance with restrictions on foreign ownership, our Articles of Association provide a 45% limit on non-Malaysian ownership of our Shares. For a discussion of the risk related to restrictions on foreign ownership of our Shares, please refer to Section 5.3.8 of this Prospectus.

Our operation of international passenger services depends on traffic rights (also known as "**freedoms**") negotiated in air services agreements by the government of Malaysia with other countries. As traffic rights are negotiated on a government-to-government basis, the traffic rights secured in air services agreements belong to each relevant government, which allocates the rights to airlines under its jurisdiction.

We secure traffic rights by applying to the Ministry of Transport of Malaysia ("**Ministry**"). The Ministry determines whether available bilateral rights exist with the country that we are seeking to fly to, either because there is an open skies arrangement (unlimited flights permissible), such as between Malaysia and Korea, Taiwan and China, or if there is availability from existing quotas, such as with Australia (quotas based on seat capacity per week to 4 main cities), Japan (open skies from summer of 2013, except for Haneda) and Nepal (quotas based on flights per week). If available, the Ministry has the discretion to grant them to us, if it is deemed in the national interest. If not and if it supports our application, the Ministry will attempt to seek additional rights from their counterparts in other countries.

The air traffic rights granted specify the volume and frequency of flights to specific airports in the country. There may also be caps placed on the number of total seats on the aircraft that an airline is allowed to fly to a particular airport.

We have obtained and are in possession of all traffic rights required to operate on our routes. Traffic rights may be revoked or withdrawn by the country giving the rights. As at the LPD, none of our traffic rights had been withdrawn.

(iii) Major Licences, Permits and Approvals

We have obtained the required licences, permits and approvals for our operations. The details of these licences, permits and approvals are set out in Annexure A of this Prospectus.

7.9.6 Dependency on Contracts, Agreements or Other Arrangements

Apart from those major licences, permits and approvals set out in Section 7.9.5(iii) of this Prospectus and those set out below, as at the LPD, there were no material contracts, agreements or arrangements which have been entered into by us on which we are dependent for our business operations.

(i) Brand Licence Amendment and Renewal Agreement

We entered into the Brand Licence Amendment and Renewal Agreement with AirAsia Berhad on 21 July 2012, whereby AirAsia Berhad granted us a non-exclusive and non-assignable licence to use and reproduce the "AirAsia" brand and trade name, including trade and/or service marks, for Long-haul operations. The Brand Licence Amendment and Renewal Agreement will have an initial term of 5 years. Thereafter, parties may enter into negotiations for up to 4 further extensions of 5 years each of the agreement. Upon expiry thereafter, the parties may negotiate to further extend the agreement.

In exchange for the licence, we have agreed to pay AirAsia Berhad an annual licence fee of (i) RM680,000; or (ii) if our gross revenue for any financial year exceeds RM136 million, 0.5% of our gross revenue, but no more than the average of 0.5% of our gross revenue for the 3 best performing of the first 5 full financial years ("**Fee Cap**"). The Fee Cap shall apply (i) going forward for the subsequent financial years; and (ii) by way of adjustments in the event that any of the annual fees paid during the first 5 financial years exceed the Fee Cap. Furthermore, pursuant to the Brand Licence Amendment and Renewal Agreement, we were also granted a waiver from the licence fee for the first year of operations (being 2008) and a deferment for the subsequent 2 years (being 2009 and 2010).

AirAsia Berhad has agreed to not directly or indirectly invest in or license another low-cost, Long-haul air carrier based in Malaysia. If opportunities arise to invest in other low-cost Long-haul carriers based in another member country of ASEAN, AirAsia Berhad will give us the first right of refusal to undertake the investment. If opportunities arise to invest in other low-cost Long-haul carriers outside of ASEAN, AirAsia Berhad will give us a reasonable opportunity to co-invest with them.

For example, in the event that AirAsia India and AirAsia Japan (located outside ASEAN) decides to venture into Long-haul routes, under the terms of the Brand Licence Amendment and Renewal Agreement, we shall be provided a reasonable opportunity to co-invest with AirAsia Berhad in respect of its investment in and/or license for AirAsia India's or AirAsia Japan's Long-haul venture.

7. BUSINESS OVERVIEW (cont'd)

The Brand Licence Amendment and Renewal Agreement acknowledges that, where our Company and AirAsia Berhad operate from a common point or hub, AirAsia Berhad is a Short-haul air carrier, operating flights under a 4 hour flight range and our Company is a Long-haul air carrier, operating flights above a 4 hour flight range. Notwithstanding that, we are under an obligation to provide notice to AirAsia Berhad if AirAsia Berhad is, at the relevant time, already operating flights above a 4 hour flight range from a point or hub, prior to our Company operating from such point or hub. As at the LPD, AirAsia Berhad does not operate any flights above a 4 hour flight range. We are not permitted to code-share any services with an operator other than AirAsia Berhad on any sector on which AirAsia Berhad operates to ensure that the goodwill associated with the "AirAsia" brand is not diluted.

We are required to adhere to the "AirAsia Service Standards" as may be amended by AirAsia Berhad from time to time, and ensure our staff, representatives and agents conduct our operations in an orderly and business-like manner so as to maintain the standards of quality and reputation of the AirAsia brand and the AirAsia Service Standards. For certain goods and services, we are required to use supplier(s) nominated by AirAsia Berhad to ensure the maintenance of standards. As a Long-haul air carrier, we will not undertake scheduled flights of under a 4-hour flight range. We shall also not code-share any services with an operator other than AirAsia Berhad on any point-to-point route on which AirAsia Berhad operates.

AirAsia Berhad is entitled to terminate the Brand Licence Amendment and Renewal Agreement if we take any legal or procedural steps to challenge AirAsia Berhad's exclusive right to all or any part of the AirAsia brand, if our AOC or ASL is revoked or cancelled, or if there is a change in control in our Company (excluding a change in control resulting from an initial public offering). "Change in control" means the change in power of a person or group of persons acting together to secure:

(a) by means of the holding of shares or the possession of voting power in or in relation to AirAsia X or any other body corporate; or

(b) by virtue of any powers conferred by the articles of association or other document regulating AirAsia X or any other body corporate;

that the affairs of AirAsia X are conducted in accordance with the wishes of that person or group of persons acting together.

Either party can terminate the Brand Licence Amendment and Renewal Agreement in the event of a breach by the other party that is incapable of remedy or, if capable of remedy, not remedied within 28 days after notice. Either party may also terminate the Brand Licence Amendment and Renewal Agreement if the other party ceases or threatens to cease to carry on business or suffers an insolvency event including arrangement or composition with creditors, petition for winding up or the appointment of a liquidator, manager or receiver over the whole or any part of its assets.

The Brand Licence Amendment and Renewal Agreement amended and renewed the Brand Licence Agreement entered into with AirAsia Berhad on 20 July 2007.

(ii) AirAsia Services Agreement

We entered into the AirAsia Services Agreement with AirAsia Berhad on 31 October 2007, which was supplemented by a Renewal of Fee Schedule dated 28 November 2008, amended by an amendment agreement dated 13 May 2011, and supplemented by a renewal agreement dated 22 June 2012. Under this agreement, AirAsia Berhad provides various services to us, which include AirAsia Insure (which has since been undertaken by Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad) and Tune Ins Holdings Berhad, companies related to AirAsia Berhad, as detailed in Sections 11.1.2(ix) and 11.1.2(viii) respectively), regulatory issues and infrastructure development, commercial services, information, communication and technology (ICT) services, treasury services, and other services to be provided on a per-usage basis such as audit and consulting services, security and shared resources. We may also request AirAsia Berhad to provide ad-hoc services as and when necessary. The fees payable are generally based on the cost of services with a 10% margin.

There is no expiry set out for the AirAsia Services Agreement. However, the schedules on the scope and pricing for the services have in practice been renewed on a yearly basis, whereby the scope has generally decreased over time. For the latest renewal agreement dated 22 June 2012, the term for the scope and pricing is 1 year from 22 June 2012.

A summary of the current scope of services and the cost of each of the services as stated in the renewal agreement are as follows:

Service	Description of Service	Contractual Cost of Service
AirAsia Insure	Provision of AirAsia Insure as a purchase option for our passengers.	Under our outsourcing arrangement for Tune Ins Holdings Berhad to manage AirAsia Insure as set out in Section 11.1.2(viii) of this Prospectus, AirAsia X shall be entitled to the commissions or fees received for the sale of AirAsia Insure in China and Taiwan via AirAsia Berhad.
Regulatory issues and infrastructure development	AirAsia Berhad to contribute towards the manpower cost for the AirAsia Group regional manager in China.	The monthly salary of the AirAsia Group regional manager in China shall be apportioned between our Company and the AirAsia Group companies that operate into China, on an equal basis, without any mark up.

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Service	Description of Service	Contractual Cost of Service
Commercial services	**i. Sales Distribution, Sales Support and Web Team**	
	AirAsia Berhad to provide services to business development shared with our Company including on-line travel agents and global distribution system, travel agent registration and reconciliation and to manage, plan, build and develop the airasia.com website.	Cost of services will be based on staff salary apportioned by seat capacity.
	ii. Direct Channel	
	AirAsia Berhad to provide direct channel services including sales offices, airport sales counters and the AirAsiaTravel and Service Centres.	The respective sales offices, airport sales counters and AirAsiaTravel and Service Centres will retain the service fees charged to customers to defray the set up cost and on-going operating expenses.
	iii. Branding and Creative	
	AirAsia Berhad to provide branding and creative services which include sponsorship and corporate and commercial branding.	Monthly cost which includes staff cost and benefits with mark up of 10% and other on-going operating expenses and overheads will be apportioned based on time spent.
Information, communication and technology services	AirAsia Berhad to provide information technology ("IT") services to the infrastructure, business system, enterprise systems, business operation and business analytics*. * *Through third party service providers engaged by AirAsia Berhad*	Our Company shall pay 15% of the cost for any new shared IT systems hardware and software installed. Monthly cost which includes staff cost and benefits and other on-going operating expenses and overheads will be charged based on seat capacity allocation with a mark up of 10%. Maintenance costs to be apportioned based on seat capacity. Development of projects if undertaken by AirAsia Berhad, will be at a rate of RM1,500 per man day plus 10% mark up, or at cost if performed by third party. Sales via all channels will be charged at rate of USD0.29 per flown passenger.

Service	Description of Service	Contractual Cost of Service
Treasury	AirAsia Berhad to negotiate the best pricing and terms for fuel procurement and to analyse hedging structures suitable for the AirAsia Group.	i. **Fuel procurement** RM5,000 per contract ii. **Fuel hedging** RM12,000 per month
Audit and consulting services	AirAsia Berhad to monitor and investigate all fraudulent credit card transactions and develop risk based IT audit plan for the AirAsia Group.	i. **Credit Card Fraud Control Unit** Cost of services apportioned based on seat capacity ii. **IT Audits** On project basis – man-hour estimated cost of RM62 per hour plus out-of-pocket expenses
Security	AirAsia Berhad to provide security services at the aircraft, passenger and baggage screening and reconciliation.	RM120 for each departing flight. RM360 for each departing flight requiring security profilers. RM40 for each arriving flight. Fees payable to AirAsia Berhad are 10% above the charges.
Shared resources	Sharing of the services of our Group's employees provided in support of the operations of other companies within the AirAsia Group, including our Manager, Operations and Processes headcount and Regional Head of Security.	Our Company shall share the cost equally with the AirAsia Group companies involved.

Either party may terminate the agreement by written notice if there is substantial failure to comply with the terms of the agreement and such failure continues after 30 days from a notice to remedy such failure from the non-defaulting party. The agreement will automatically terminate if either party ceases or threatens to cease carrying on business or operations, becomes insolvent or is wound-up or dissolved, or a liquidator, trustee, receiver, or encumbrancer takes possession of or is appointed over all or substantially all of its assets.

As the services provided by AirAsia Berhad under the AirAsia Services Agreement are related party transactions, please refer to Sections 11.1.3 and 11.2 of this Prospectus for our internal procedures in place to ensure the terms of the renewal of the agreement are on an arm's length basis and on usual business terms.

(iii) Use of facilities at LCCT

Our Company and Malaysia Airports (Sepang) Sdn Bhd ("**MASB**") have entered into an arrangement since November 2007, whereby MASB provides us, with respect to the facilities in LCCT at KLIA, certain services, including the use of the apron, landing and parking, passenger loading, waste management and baggage handling. As we do not have an agreement with MASB in respect of the use of such facilities, the arrangement for the use of facilities is primarily governed by a written conditions of use provided by MASB, together with standardised published rates applicable to all airlines using the airport facilities at KLIA. We have, since our commencement of operations, transacted with MASB on the abovementioned basis, whereby we are issued monthly invoices based on our usage level at the pre-determined rates as mentioned above. Notwithstanding this, we have executed written agreements for our operations at all other airports where we operate.

Based on the number of passengers we carry, we account for 8.9% of the international passenger movement in KLIA (including LCCT) in 2012, according to S-A-P.

In consideration for the provision of such services and facilities, we are required to pay MASB certain charges in the form of landing charges, parking charges, aerobridge charges, passenger service charges, passenger security service charges, and check in counter charges. In term of the fees applicable to the services, the aeronautical charges to be paid by our Company are regulated by the Malaysian Civil Aviation Regulations 1996. MASB charges our Company on a monthly basis based on the actual usage level of the abovementioned services.

As part of the conditions of use, we are required to comply with the provisions of all applicable legislation, laws and regulations, including the Civil Aviation Act 1969 and the Aviation Offences Act 1984 and the Malaysian Civil Aviation Regulations 1996. We shall also be aware of and comply with all laws or regulations concerning environmental laws, noise management and/or occupational health and safety.

(iv) Master Purchase Agreement

We entered into the A330-300 Master Purchase Agreement with Airbus on 14 June 2007 (as supplemented by various letter agreements and amendment agreements, the "**Master Purchase Agreement**") pursuant to which we agreed to take delivery of 15 A330-300s in accordance with a specified delivery schedule. By letter agreement dated 14 June 2007 Airbus granted us an option to purchase an additional 10 A330-300s. We exercised the option on 5 December 2007.

In addition, under Amendment No. 7 dated 30 December 2010 (as amended and supplemented by various amendment agreements), we agreed to take delivery from Airbus, of 3 A330-200s, with an option to purchase 2 more. Subsequently, we converted one of the firmly ordered 3 A330-200s into an A330-300, which is scheduled to be delivered in the 4th quarter of 2014. The 2 remaining firmly ordered A330-200s have been disposed of to third parties.

If any payment due to Airbus under this agreement is not received by the due date, Airbus shall be entitled to charge us late payment interest from the due date up to the date when payment is received. Either party may terminate all or part of the Master Purchase Agreement by written notice in the event that, amongst others, the defaulting party files a voluntary petition in bankruptcy, or is divested of a substantial part of its assets for a period of at least 60 days. In addition, Airbus has the right to terminate all or part of the Master Purchase Agreement, subject to applicable grace periods, for payment and other material defaults by AirAsia X including under certain other agreements entered into with Airbus and its affiliates.

(v) A350-900 Purchase Agreement

We entered into the purchase agreement with Airbus on 16 June 2009 (as supplemented by various letter agreements and amendment agreements, the "**A350-900 Purchase Agreement**"), pursuant to which we agreed to take delivery of 10 A350-900s in accordance with a specified delivery schedule and we have an option to take delivery of 5 more.

If any payment due to Airbus under this agreement is not received by the due date, Airbus shall be entitled to charge us late payment interest from the date falling 5 days after the due date up to the date when payment is received. Either party may terminate all or part of the A350-900 Purchase Agreement by written notice in the event that, amongst other, the defaulting party files a voluntary petition in bankruptcy, or is divested of a substantial part of its assets for a period of at least 60 days. In addition, Airbus has the right to terminate all or part of the A350-900 Purchase Agreement, subject to applicable grace periods, for payment and other material defaults by AirAsia X including under certain other agreements entered into with Airbus and its affiliates.

7.10 Our Competition

Our competition can be broadly categorised into full-service Long-haul carriers based in Asia Pacific Region and other low-cost, Long-haul carriers in Asia Pacific Region.

Our main local competitor in the Long-haul segment is Malaysia Airlines. Malaysia Airlines is a FSC, offering multi-class scheduled services to a broad network of more than 100 domestic and international destinations, complimentary in-flight meals, a frequent flyer programme and airport lounges. We also compete directly with other foreign competitors such as Emirates, Korean Airlines, Japan Airlines, Garuda Airlines, China Airlines and Eva Air, and indirectly with Singapore Airlines, Thai Airways International and Cathay Pacific Airways, on certain international Long-haul routes. We believe we distinguish ourselves from our FSC competitors by offering customers fares that are often lower than the fares of these carriers.

Our principal competitors in the low-cost, Long-haul segment in which we operate include Australia's Jetstar and Singapore's Scoot. We also compete with Singapore's Tiger Airways for our flights to Perth and Taipei, where Tiger Airways flies out of Singapore. The Philippines' Cebu Pacific is expected to launch a low-cost, Long-haul operation in October 2013. None of our Long-haul LCC competitors currently competes with us directly on our routes. Furthermore, we believe our early mover advantage gives us a competitive edge against these competitors.

Please refer to Section 8 of this Prospectus for further discussions on our competition.

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Summary Report of Findings

Independent Report of the Aviation Consultant
AirAsia X Berhad

prepared for

AirAsia X Berhad
Kuala Lumpur

prepared by

The S-A-P Group
Bangkok and San Francisco

The S-A-P Group (Strategic Airport Planning Ltd) was asked by AirAsia X Berhad (AirAsia X) to prepare this Report of the Aviation Consultant on AirAsia X and air travel in Southeast Asia. This independent expert report was prepared to be included in documentation (including, but not limited to any prospectus or offering circular) to support the Initial Public Offering of AirAsia X.

The S-A-P Group (S-A-P) is an aviation consulting firm that specializes in the preparation of aviation activity forecasts and strategic business plans. Over the past 16 years, staff of The S-A-P Group have prepared forecasts of aviation activity in Australia (Sydney, Perth, Adelaide, Darwin), Indonesia (Jakarta), Malaysia, New Zealand (Auckland and Wellington), South Korea (Seoul), Thailand (Bangkok, Phuket, Chiang Mai, Chiang Rai, and Had Yai) and the United States (numerous). In addition, S-A-P reports have supported the initial public offering circulars of several Southeast Asia-based carriers, including AirAsia Berhad, Thai AirAsia, Garuda Indonesia Airlines, and Tiger Airways.

This report includes forecasts and other forward-looking estimates. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others.

Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic and competitive market conditions and future government and business decisions, all of which are difficult or impossible to predict accurately. This report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that the S-A-P Group is allowed to reference such sources. While we believe that the information is correct, we cannot guarantee its validity. Some amounts in this report are rounded. Financial and operating data for some air carrier groups may include cargo and other activities.

We acknowledge that this report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act 2007 of Malaysia.

We further acknowledge that if we are aware of any significant changes to the adequacy of the information in this report between the date of this report and the issue date of the Prospectus, or after the issue of the Prospectus and before the issue of the securities, we have an on-going obligation to either cause this report to be updated so as to correct any inaccuracies, and, where applicable, cause AirAsia X to issue a supplementary prospectus, or, should they fail to do so, withdraw our consent to the inclusion of this report in the Prospectus."

STRATEGIC AIRPORT PLANNING LTD

Date of report: 22 MAY 2013

Bill A. Matz
Managing Director

INDEPENDENT REPORT OF THE AVIATION CONSULTANT

AirAsia X Berhad

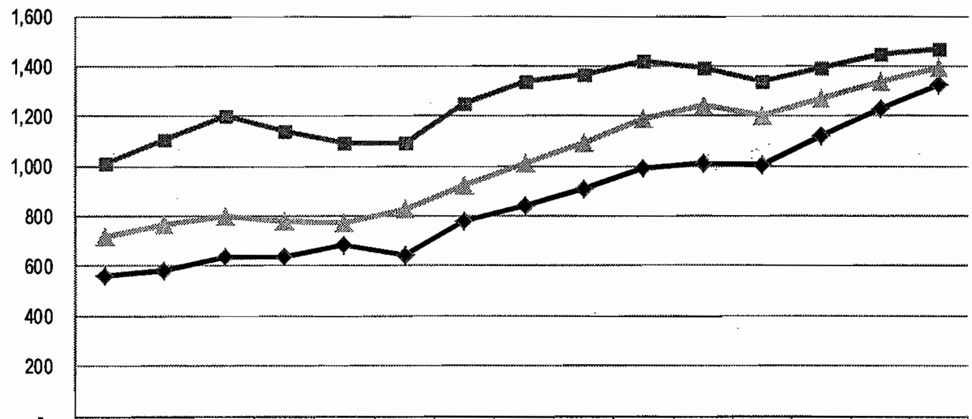
1 OVERVIEW AND OUTLOOK OF GLOBAL AVIATION TRENDS

1.1 Historical Activity

Historically, air travel activity has shown a strong statistical relationship with overall economic activity, as measured by gross domestic product (GDP). From 1971 to 2012, world GDP grew at a CAGR of 3.0%, while world airline RPKs grew at twice the rate, at a CAGR of 6.0%.

Aviation activity in the Asia-Pacific region has grown rapidly since 1998, as shown below. From 1998 to 2012, RPKs in the Asia-Pacific region grew 137% while during the same period RPKs grew 45% in North America and 94% in Europe. Asia-Pacific region air passenger traffic, as measured in RPKs, is nearly that of North America.

REVENUE PASSENGER KILOMETERS (RPKs; billions)
Asia Pacific, North America, and Europe
1998~2012



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Asia Pacific	559	585	637	639	683	643	780	839	912	993	1,011	1,007	1,122	1,230	1,321
North America	1,011	1,105	1,205	1,138	1,091	1,090	1,251	1,339	1,364	1,419	1,390	1,335	1,395	1,445	1,470
Europe	718	765	798	777	773	830	926	1,010	1,094	1,186	1,245	1,203	1,267	1,340	1,393

Unit: RPK billions.
Source: Euromonitor International from International Civil Aviation Organization (ICAO), United Nations, World Bank, national statistics, and IATA Air Transport Market Analysis, March 2013.

1.2 Asia Pacific Aviation Demand Forecasts

FORECAST AVERAGE ANNUAL PASSENGER GROWTH RATES
Activity (in RPKs) Between Regions of the World
2011~2031

	Forecast CAGR					
Region	Africa	Latin America	Middle East	Europe	North America	Asia-Pacific
Asia Pacific	7.4%	5.4%	7.2%	5.7%	4.8%	6.7%
North America	6.0%	5.1%	6.4%	3.8%	2.2%	
Europe	4.8%	4.6%	5.1%	3.5%		
Middle East	6.9%	n.a.	5.1%			
Latin America	8.3%	6.5%				
Africa	6.2%					
Total global/regional	5.6%	6.6%	6.4%	4.1%	2.8%	6.4%

Source: The Boeing Company, Current Market Outlook 2012, September 2012.

HISTORICAL AND FORECAST ANNUAL PASSENGER GROWTH RATES
Activity (in RPKs) Within and Between Southeast Asia and Other Regions of the World
1985 to 2031

	CAGR						
	Historical						Forecast
	1985~1990	1990~1995	1995~2000	2000-2005	2005~2010	**1985~2011**	**2011~2031**
Within Southeast Asia	11.1%	12.5%	-0.1%	12.2%	6.2%	**8.4%**	**7.6%**
Between Southeast Asia and:							
China	12.4%	9.7%	5.0%	13.8%	3.6%	**9.0%**	**7.7%**
Oceania	14.7%	6.4%	6.9%	4.2%	2.0%	**6.8%**	**5.1%**
Middle East	-6.2%	13.4%	3.1%	4.2%	13.8%	**5.5%**	**6.4%**
North America	13.8%	11.1%	4.4%	1.9%	-2.7%	**5.4%**	**5.8%**
Northeast Asia	15.2%	6.4%	1.8%	7.9%	1.2%	**6.7%**	**5.4%**
Europe	11.8%	7.3%	7.8%	0.9%	-0.1%	**5.4%**	**5.0%**
South Asia	0.5%	6.9%	6.2%	18.1%	14.5%	**9.4%**	**9.5%**

Source: The Boeing Company, Current Market Outlook reports, 2001 through September 2012.
Northeast Asia: Japan, North Korea and South Korea
South Asia: India, Pakistan, and Afghanistan
Southeast Asia: Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Taiwan, Thailand, and Vietnam

1.3 Aviation Supply Forecast Considerations

Aircraft manufacturers such as Boeing and Airbus forecast continued growth in demand for new aircraft and continue to make investments to meet this demand. Airbus forecasts 28,200 new aircraft will be needed for the 20-year period from 2012 to 2031.[1] Boeing forecasts a demand for 34,000 new aircraft for the same period.[2] The primary difference between the two forecasts is different opinions about average aircraft size.

Aircraft supply and demand in the airline industry can be balanced with fleet adjustments by airlines and production shifts by manufacturers. Therefore, although supply and demand may not balance in the short term, in the medium to long term, aircraft capacity is managed through aircraft retirements, sales, returns to lessors, and other fleet management actions, and aircraft and production shifts by manufacturers as long-term orders change.

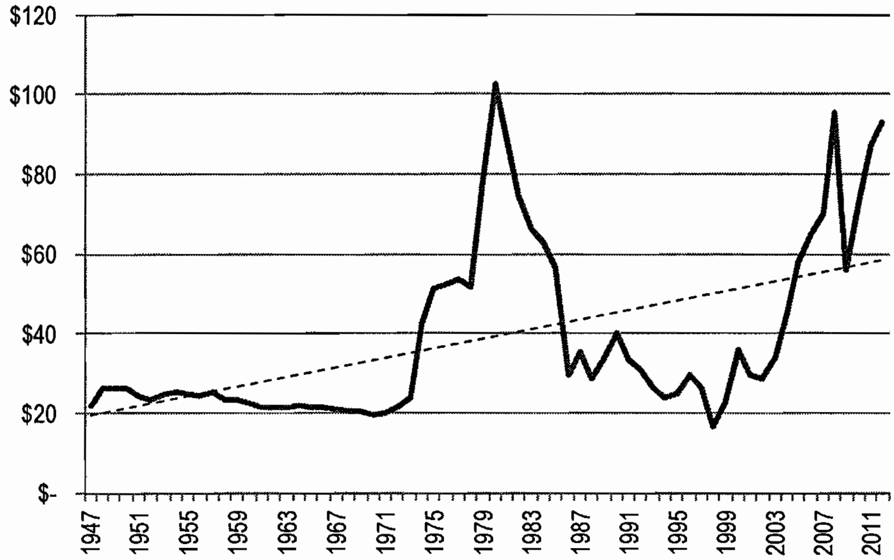
[1] Airbus Global Market Forecast, 2012.
[2] Boeing Current Market Outlook, 2012.

1.4 Fuel Prices

Fuel price changes have affected aviation traffic as airline cost structures are sensitive to changes in aircraft fuel. Political turmoil, terrorism, war and other events affecting major suppliers of oil have led to large fluctuations in fuel prices since 1980, ranging from 60% increases to 47% decreases in inflation-adjusted costs per barrel year over year.[3]

The impact of recent fuel price increases on resulting airline cost structures has been changes in airline service, fares, and traffic. Fares typically increase after fuel prices increase. To the extent that airlines are unable to pass through fuel cost increases to customers in the form of higher fares or surcharges, airline profits typically decrease. The figure below illustrates how crude oil prices have increased from 1947 to 2012.

ANNUAL AVERAGE DOMESTIC CRUDE OIL PRICES
US Average; Inflation-Adjusted US$ per bbl.)
1947~2012



Based on data from IOGA.
http://inflationdata.com/inflation/inflation_Rate/Historical_Oil_Prices_Table.asp, March 2013.

[3] Based on historical data provided by IOGA and WTRG Economics, http://inflationdata.com/inflation/inflation_Rate/Historical_Oil_Prices_Table.asp

1.5 Aviation in Southeast Asia

The Asia-Pacific region's passenger growth rates in RPK are forecasted to remain robust, at a CAGR of 6.7% from 2011 to 2031, surpassing North America as the world's largest aviation market.[4]

Within Asia Pacific, the Southeast Asia region is expected to be one of the strongest regions for traffic growth measured in RPK, with the CAGR forecasted at 7.6% over the same time period. These high growth rates are the result of several factors, including:

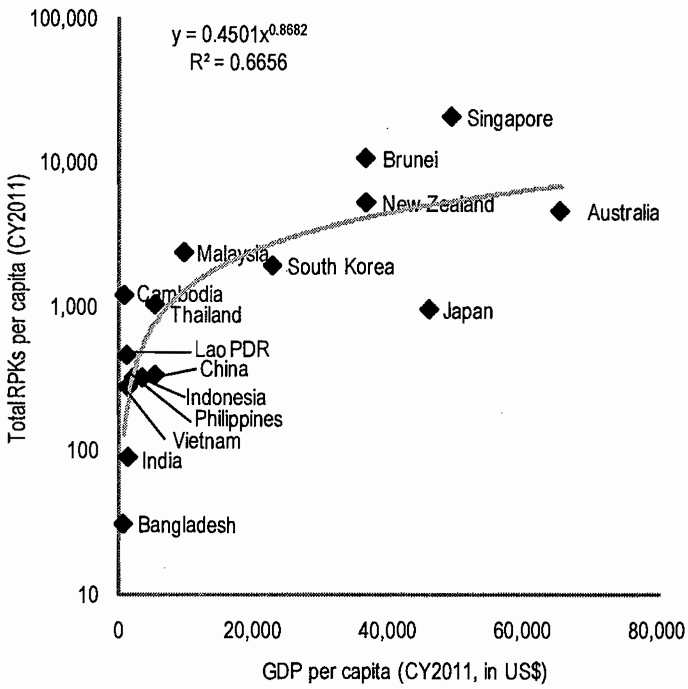
- Market liberalization efforts, including open skies agreements between ASEAN nations which have allowed for increased competition and facilitated the development of LCCs, leading to reduced airfares and the introduction of new services and markets. Discussion of market liberalization in the region is provided in Section 3.2.
- Strong economic growth in most countries, leading to increased demand for domestic and international passenger services and for inbound transportation of goods.
- Continued long-term economic growth across Asia in general and other parts of the world, leading to strong demand for international passenger and cargo services.

[4] Airbus Global Market Forecast, 2012.

The propensity to travel in Malaysia relative to the country's per capita income levels is high relative to other countries at similar levels of GDP per capita. This is attributable, in part, to the country's well developed airline industry and high market share of LCCs.

RELATIONSHIPS BETWEEN PER CAPITA GROSS DOMESTIC PRODUCT (GDP) AND AIR TRAVEL
Countries in the Asia-Pacific Region and the US
2011

		Per capita	
Country	Domestic and int'l RPKs (millions)	GDP (in current US$)	Domestic and int'l RPKs
Australia	103,345	65,477	4,547
Bangladesh	5,195	678	31
Brunei	4,492	36,548	10,569
Cambodia	18,000	852	1,192
China	451,162	5,414	335
India	108,922	1,389	90
Indonesia	77,224	3,509	320
Japan	121,754	45,920	953
Lao PDR	3,000	1,204	458
Malaysia	67,773	9,700	2,359
New Zealand	22,983	36,651	5,204
Philippines	30,714	2,223	320
Singapore	108,048	49,270	20,487
South Korea	93,858	22,778	1,915
Thailand	65,783	5,394	1,027
Vietnam	24,791	1,374	278
US	1,310,556	48,387	4,201



Sources: The S-A-P Group reference files, including ICAO, 2011 Annual Report and IMF estimated 2011 GDP and Population figures.
Note: Amounts include domestic and international air travel to/from reporting airports in the countries shown and may include some transfer passengers.

1.5.1 *Population and Urbanization*

The population of Southeast Asia is estimated by the IMF to grow at a CAGR of 1.5% from 2012 to 2017, which compares to a CAGR estimate of 1.2% for the world during the same period.

Malaysia's population is forecast by the IMF to grow at a CAGR of 1.8% from 2012 to 2017.

POPULATION INDICATORS
Countries in the Asia-Pacific Region
Multiple Years

	Actual Population			Estimated Population		CAGR	
						Historical	Projected
Country	2000	2005	2010	2012	2017	2000~2012	2012~2017
Indonesia	206,265,000	221,398,000	237,641,000	244,468,000	262,404,000	1.4%	1.4%
Philippines	76,790,000	85,260,000	94,010,000	97,737,000	107,871,000	2.0%	2.0%
Vietnam	77,635,000	83,106,000	88,257,000	90,388,000	95,943,000	1.3%	1.2%
Thailand	61,879,000	62,418,000	63,878,000	64,460,000	66,418,000	0.3%	0.6%
Myanmar	50,130,000	55,392,000	61,187,000	63,672,000	70,334,000	2.0%	2.0%
Malaysia	23,495,000	26,477,000	28,251,000	29,038,000	31,789,000	1.8%	1.8%
Cambodia	12,680,000	13,828,000	14,953,000	15,254,000	16,032,000	1.6%	1.0%
Laos	5,317,000	5,753,000	6,201,000	6,376,000	7,320,000	1.5%	2.8%
Singapore	4,138,000	4,401,000	5,184,000	5,366,000	5,849,000	2.2%	1.7%
East Timor	818,000	946,000	1,067,000	1,119,000	1,254,000	2.6%	2.3%
Brunei	325,000	370,000	414,000	434,000	484,000	2.4%	2.2%
Countries shown above	519,472,000	559,349,000	601,043,000	618,312,000	665,698,000	1.5%	1.5%
China	1,267,430,000	1,307,560,000	1,340,910,000	1,353,821,000	1,389,073,000	0.6%	0.5%
India	1,024,250,000	1,110,000,000	1,190,524,000	1,223,170,000	1,305,774,000	1.5%	1.3%
Japan	126,829,000	127,775,000	128,048,000	127,611,000	124,543,000	0.1%	-0.5%
South Korea	47,008,000	48,138,000	49,410,000	50,010,000	49,791,000	0.5%	-0.1%
Australia	19,273,000	20,544,000	22,183,000	22,683,000	24,488,000	1.4%	1.5%
New Zealand	3,863,000	4,142,000	4,369,000	4,463,000	4,692,000	1.2%	1.0%
World Total	5,956,162,000	6,393,765,000	6,807,200,000	6,937,895,000	7,362,940,000	1.3%	1.2%

Source: IMF World Economic Outlook Database, October 2012.
Note: Some amounts are estimated.

Increased urbanization is likely to drive increases in air travel as larger portions of a region's population become concentrated in the vicinity of airports, allowing residents easier access to air travel. Additionally, income levels of people typically increase after they move to urban areas, often leading to increased propensities to travel.

1.5.2 *Tourism and Air Travel in Southeast Asia*

Increased intra-regional business and reduced trade barriers between countries generate cross-border travel demand. High levels of trade and other commercial activities lead to increased demand for travel, which includes air travel for business and tourism. Global trade is expected to continue growing at 4.5% in 2013.[5] Most countries in Asia have been moving toward increased business relationships, reduced trade barriers, increased trade and tourism, and increased air travel levels.

HISTORICAL AND FORECAST ANNUAL PASSENGER GROWTH RATES
Activity (in RPKs) Within Regions of the World
1985 to 2031

	CAGR						
	Historical						**Forecast**
	1985~1990	1990~1995	1995~2000	2000-2005	2005~2010	**1985~2011**	**2011~2031**
Global	6.8%	3.3%	5.6%	3.6%	3.9%	**4.7%**	**5.0%**
Within regions							
within China	16.7%	25.4%	4.7%	18.2%	15.4%	**15.8%**	**6.9%**
within Europe	8.7%	3.5%	7.5%	5.0%	2.6%	**5.4%**	**3.5%**
within Middle East	1.9%	1.3%	6.1%	11.8%	9.8%	**6.1%**	**5.1%**
within North America	4.6%	2.6%	5.1%	2.5%	-1.0%	**2.8%**	**2.2%**
within Northeast Asia	9.2%	6.1%	3.1%	-2.3%	0.9%	**3.1%**	**3.0%**
within Oceania	7.1%	10.2%	2.9%	5.8%	3.7%	**6.0%**	**4.4%**
within South America	2.8%	3.2%	5.1%	4.7%	12.6%	**6.0%**	**6.9%**
within South Asia	2.1%	5.6%	1.0%	9.5%	14.5%	**6.8%**	**9.5%**
within Southeast Asia	11.1%	12.5%	-0.1%	12.2%	6.2%	**8.4%**	**7.6%**

Source: The Boeing Company, Current Market Outlook reports, 2001 through September 2012.
Northeast Asia: Japan, North Korea and South Korea
South Asia: India, Pakistan, and Afghanistan
Southeast Asia: Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Taiwan, Thailand, and Vietnam
Oceania: Australia, New Zealand, Melanesia, Micronesia and Polynesia

[5] World Trade Organization, 21 September 2012, http://rt.com/business/wto-economic-growth-forecast2012-655/

1.6 Aviation in Malaysia

1.6.1 *Economic Growth in Malaysia and the Surrounding Region*

GDP in Malaysia grew 16.7%[6] from 2010 to 2011, far outperforming most other countries in the world. Growth rates in China and other countries in Asia are expected to have been lower in 2012, but Malaysia has continued growing through previous economic slowdowns, experiencing a 10.4% CAGR in GDP (in current prices, US dollars) from 2000 to 2012. Southeast Asia's GDP (in current prices, US dollars) grew at a CAGR of 11.8% during the same period.[7]

Based on the growth that has occurred during the global economic slowdown and other crises during the last decade, S-A-P expects that the region will continue experiencing economic growth in the future. Malaysia- and foreign-based airlines have the opportunity to benefit from the air travel demand spurred by regional economic growth.

S-A-P anticipates that as the economy develops and the middle class grows and becomes a larger share of the population, air travel demand will increase. S-A-P also anticipates that as the middle class grows in Malaysia's secondary cities, demand for service from these cities to new domestic and international destinations will increase.

This service can be supported by the increased use of small, regional jets. Additionally, as LCC development continues in Malaysia and throughout the region, it is expected that lower average fares will result in increased demand for air travel.

Population growth and urbanization are expected to result in further aviation growth in Malaysia. As urbanization and population growth combine with continued economic growth, income per capita is expected to increase, resulting in growth in the middle class in Malaysia.

[6] GDP growth in Malaysia from 2010 to 2011 was 11.3% in national currency, current prices and 5.1% in national currency, constant prices. Source: IMF World Economic Outlook Database, October 2012.
[7] Source: IMF World Economic Outlook Database, October 2012. Amounts are in current prices, US dollars.

1.6.2 *Tourism in Malaysia*

As shown below, tourist arrivals to Malaysia have grown at a CAGR of 6.3% from 2001 to 2012, despite several disruptions to travel in the region caused by economic downturns and natural disasters.

INTERNATIONAL TOURIST ARRIVALS IN MALAYSIA
FROM THE 10 LEADING COUNTRIES OF ORIGIN
Malaysia
2001-2012

	Tourist Arrivals in Malaysia		
	Arrivals		CAGR
Country	2001	2012	2001~2012
Singapore	6,951,594	13,014,268	5.9%
Indonesia	777,449	2,382,606	10.7%
China	597,857	1,558,785	9.1%
Thailand	1,018,797	1,263,024	2.0%
Brunei	309,529	1,258,070	13.6%
India	143,513	691,271	15.4%
Philippines	122,428	508,744	13.8%
Australia	222,340	507,948	7.8%
Japan	397,639	470,008	1.5%
United Kingdom	262,423	402,207	4.0%
Other	1,971,504	2,975,777	3.8%
Total	12,775,073	25,032,708	6.3%

Source: Tourism Malaysia and the Malaysian Immigration Department, March 2013.
http://corporate.tourism.gov.my/images/research/pdf/2012/TouristArrivals_JanDec_2012.pdf

As shown below, Malaysia was one of only two Asian countries included in the world's top 10 countries for international tourist arrivals in 2011.

INTERNATIONAL TOURIST ARRIVALS
IN THE 10 LEADING COUNTRIES OF DESTINATION
World
2010-2011

		Tourist Arrivals (millions)		
		Arrivals		CAGR
Rank	Country	2010	2011	2010~2011
1	France	77.1	79.5	3.0%
2	United States	59.8	62.3	4.2%
3	China	55.7	57.6	3.4%
4	Spain	52.7	56.7	7.6%
5	Italy	43.6	46.1	5.7%
6	Turkey	27.0	29.3	8.7%
7	United Kingdom	28.3	29.2	3.2%
8	Germany	26.9	28.4	5.5%
9	Malaysia	24.6	24.7	0.6%
10	Mexico	23.3	23.4	0.6%

Source: World Tourism Organization (UNWTO), 2012.

1.6.3 *Service Levels at Major International Airports*

According to Malaysia Airports Holdings Berhad (MAHB), the manager of 39 airports in Malaysia, growth during 2011 was primarily due to new routes and frequencies added by airlines, particularly Firefly, AirAsia Berhad, and Malaysia Airlines. MAHB also reported that growth resulted from competitive price offerings, which have enabled more people to afford travel by air than fares previously allowed.[8] Growth slowed in 2012 due to significant reductions in capacity and the termination of some services by local carriers.[9]

Scheduled departing weekly flights and destinations served from major international airports in Asia are shown below. Activity is shown for flights with scheduled durations of four hours or less and for flights of more than four hours. In general, narrow body aircraft have a flying range of four hours and these routes would be considered short haul. Widebody aircraft have a flying range beyond four hours and these routes would be considered long haul.

[8] Malaysia Airports Holdings Berhad Annual Report, 2011.
[9] Malaysia Airports Holdings Berhad Annual Report, 2012.

SCHEDULED DEPARTING FLIGHTS AND DESTINATIONS SERVED, BY FLIGHT SCHEDULE DURATION
Major International Airports in Asia
Week of 4~10 March 2013

	Weekly flights			Destinations served		
City-Airport	240 minutes or less	241 minutes or greater	Total	240 minutes or less	241 minutes or greater	Total
Bangkok						
Bangkok-Suvarnabhumi Intl Airport (BKK)	1,621	912	2,533	61	66	127
Bangkok-Don Mueang Intl Airport (DMK)	1,139	28	1,167	41	4	45
Subtotal	2,760	940	3,700	102	70	172
Jakarta-Soekarno Hatta Intl Airport (CGK)	3,451	235	3,686	42	34	76
Hong Kong Intl Airport (HKG)	2,136	657	2,793	74	58	132
Kuala Lumpur Intl Airport (KUL)	2,334	512	2,846	64	50	114
Singapore-Changi Airport (SIN)	1,913	1,096	3,009	58	70	128
Average for the five cities shown	2,519	688	3,207	68	56	124

	% difference from average					
	Weekly flights			Destinations served		
City-Airport	240 minutes or less	241 minutes or greater	Total	240 minutes or less	241 minutes or greater	Total
Bangkok						
Bangkok-Suvarnabhumi Intl Airport (BKK)	-35.6%	32.6%	-21.0%	-10.3%	17.0%	2.1%
Bangkok-Don Mueang Intl Airport (DMK)	-54.8%	-95.9%	-63.6%	-39.7%	-92.9%	-63.8%
Subtotal	9.6%	36.6%	15.4%	50.0%	24.1%	38.3%
Jakarta-Soekarno Hatta Intl Airport (CGK)	37.0%	-65.8%	14.9%	-38.2%	-39.7%	-38.9%
Hong Kong Intl Airport (HKG)	-15.2%	-4.5%	-12.9%	8.8%	2.8%	6.1%
Kuala Lumpur Intl Airport (KUL)	-7.3%	-25.6%	-11.3%	-5.9%	-11.3%	-8.4%
Singapore-Changi Airport (SIN)	-24.1%	59.3%	-6.2%	-14.7%	24.1%	2.9%

Source: The S-A-P Group analysis, based on OAG data, March 2013.

1.6.4 *Passenger Activity Levels at KLIA, by Airline*

As shown below, the largest share of passenger traffic at KLIA is operated by AirAsia. The next three largest carriers in terms of market share at KLIA are Malaysia Airlines, AirAsia X, and Indonesia AirAsia, with AirAsia X accounting for an 8.9% share of the international market, representing the third largest market share of international passenger movements at KLIA.

Low-cost carrier operations in Malaysia have created significant changes to the market since commencement of operations in 2002, resulting in changes including reduced airfares and increased affordability of air travel in the country.

During the week of 4~10 March 2013, the LCCT at KLIA served 1,401 scheduled commercial passenger flights to 73 destinations. During the same period, KLIA (inclusive of both the LCCT and the main passenger terminal complex) served 2,846 scheduled commercial passenger flights to 114 destinations.[10]

PASSENGER ACTIVITY LEVELS AT KLIA
(MAIN PASSENGER TERMINAL COMPLEX AND LCCT)
International and Domestic Passenger Movements, by Airline
2010~2012

	2010	2011	2012					
Airline	Total passengers	Total passengers	Dom	Market Share	Int'l	Market Share	Total passengers	Market Share
AirAsia	11,898,089	13,064,014	7,349,616	61.8%	7,218,032	25.8%	14,567,648	36.5%
Malaysia Airlines	12,146,702	12,391,538	4,551,652	38.2%	8,181,432	29.2%	12,733,084	31.9%
AirAsia X	1,821,207	2,388,702			2,482,380	8.9%	2,482,380	6.2%
Indonesia AirAsia	961,665	1,213,421			1,258,293	4.5%	1,258,293	3.2%
Emirates	648,244	725,500			814,939	2.9%	814,939	2.0%
Cathay Pacific Airways	671,127	678,633			711,922	2.5%	711,922	1.8%
Qatar Airways	n.a.	n.a.			457,898	1.6%	457,898	1.1%
KLM-Royal Dutch Airlines	n.a.	443,291			443,915	1.6%	443,915	1.1%
SilkAir	422,082	426,882			409,434	1.5%	409,434	1.0%
Thai Airways International	387,960	370,782			399,741	1.4%	399,741	1.0%
Other	5,130,560	6,001,747	190	0.0%	5,608,422	20.0%	5,608,612	14.1%
Total	34,087,636	37,704,510	11,901,458	100.0%	27,986,408	100.0%	39,887,866	100.0%

Source: Malaysia Airports Holdings Berhad Annual Report 2012. Includes data for airlines with 1.0% or greater international passenger market share in 2012.
Note: Some amounts, due to rounding, may not sum to 100.0%.

[10] Source: The S-A-P Group analysis, based on OAG data, March 2013.

PASSENGER ACTIVITY LEVELS AT KLIA
(MAIN PASSENGER TERMINAL COMPLEX AND LCCT)
International and Domestic Movements, by Route
2007~2012

		Passenger Movements to/from KLIA							KLIA Routes Served by AirAsia X		
Rank 2012	Origin/Destination	2007	2008	2009	2010	2011	2012	CAGR 2007~2012	Year of Route Launch	Growth From Year Before Launch to 2012	CAGR From Year Before Launch to 2012
1	Singapore	1,699,108	1,905,855	2,485,090	2,734,086	2,944,187	3,110,166	12.9%	-	-	-
2	Jakarta	1,106,329	1,119,113	1,214,040	1,336,466	1,551,994	1,843,397	10.8%	-	-	-
3	Bangkok	1,345,690	1,268,598	1,258,960	1,360,626	1,470,878	1,454,245	1.6%	-	-	-
4	Hong Kong	895,639	926,656	955,453	1,237,450	1,302,657	1,309,000	7.9%	-	-	-
5	Denpasar	471,794	549,065	670,976	712,505	794,578	782,861	10.7%	-	-	-
6	Ho Chi Minh City	262,533	311,487	397,705	566,869	655,095	733,523	22.8%	-	-	-
7	Taipei (a)	360,161	350,154	430,905	661,863	654,559	695,284	14.1%	2009	98.6%	18.7%
8	Melbourne (a)	362,446	358,080	504,552	709,209	688,081	635,105	11.9%	2008	75.2%	11.9%
9	Dubai	358,240	403,773	481,783	568,238	615,068	631,210	12.0%	-	-	-
10	Guangzhou	235,348	318,188	412,297	461,347	596,188	608,533	20.9%	-	-	-
11	Medan	348,121	348,226	396,554	455,726	530,700	585,430	11.0%	-	-	-
12	Phuket	292,450	304,441	348,285	428,305	519,781	574,935	14.5%	-	-	-
13	Seoul (a)	251,708	265,122	229,369	339,921	519,065	565,936	17.6%	2010	146.7%	35.1%
14	London--Total (b)	428,908	400,564	525,077	598,152	590,252	525,559	4.1%	2009	31.2%	7.0%
15	Surabaya	399,757	426,637	456,726	509,960	551,219	521,061	5.4%	-	-	-
	Other Routes; Served by AirAsia X (a)										
	Sydney	373,083	322,769	259,626	301,417	381,442	506,610	6.3%	2012	32.8%	32.8%
	Perth	223,129	224,566	371,955	424,796	449,848	466,457	15.9%	2008	109.1%	15.9%
	Beijing	240,923	203,481	203,145	236,689	246,473	389,567	10.1%	2012	58.1%	58.1%
	Shanghai	355,968	287,873	267,667	382,502	378,116	381,174	1.4%	2013	-	-
	Tokyo--Total (c)	383,104	345,631	312,329	366,340	370,426	494,214	5.2%	2010	58.2%	16.5%
	Jeddah	165,864	181,297	185,317	202,049	279,496	311,508	13.4%	2013	-	-
	Osaka	143,155	148,985	124,877	129,699	123,549	230,883	10.0%	2011	78.0%	33.4%
	Hangzhou	1,308	101,948	154,009	205,913	200,856	217,951	178.2%	2008	16562.9%	178.2%
	Gold Coast--Updated (d)	125,014	193,424	191,178	284,654	303,686	272,161	16.8%	2007	112.6%	13.4%
	Kathmandu	50,733	85,949	60,488	71,257	79,530	157,141	25.4%	2012	97.6%	97.6%
	Chengdu	2,150	460	24,334	142,730	135,995	134,500	128.7%	2009	29139.1%	313.5%
	Other Routes; No Longer Served by AirAsia X										
	Paris--Total (e)	159,943	146,346	124,689	155,432	255,405	196,848	4.2%	2011	26.6%	12.5%
	Christchurch	-	-	-	-	87,881	48,701	-	2011	-	-
	Delhi	225,939	212,870	169,286	265,453	408,479	285,683	4.8%	2010	68.8%	19.1%
	Bombay	180,750	156,197	146,538	204,901	256,943	198,135	1.9%	2010	35.2%	10.6%
	Tehran	72,474	21,806	-	150,169	227,728	206,552	23.3%	2010	-	-
	Tianjin	-	-	70,960	119,649	133,117	72,972	-	2009	-	-
	Other	5,443,527	5,947,106	5,967,502	7,078,054	7,612,451	8,839,106	10.2%			
	International	16,965,296	17,836,667	19,401,672	23,402,427	25,915,723	27,986,408	10.5%			
	Domestic	9,488,083	9,692,688	10,280,421	10,685,209	11,788,787	11,901,458	4.6%			
	Total movements	26,453,379	27,529,355	29,682,093	34,087,636	37,704,510	39,887,866	8.6%			

Source: Malaysia Airports Holdings Berhad Annual Reports, 2008-2012

(a) Routes served by AirAsia X during the week of 4~10 March 2013.

(b) Stansted Airport and, later, Gatwick Airport, which were served by AirAsia X until March 2012, and Heathrow Airport. The three airports serve the same catchment area.

(c) Tokyo-Haneda Airport, which is served by AirAsia X, and Tokyo-Narita International Airport. The two airports serve the same catchment area.

(d) Gold Coast Airport, which is served by AirAsia X, and Brisbane Airport. The two airports serve the same catchment area.

(e) Paris-Orly Airport, which was served by AirAsia X, and Paris Charles de Gaulle Airport. The two airports serve the same catchment area.

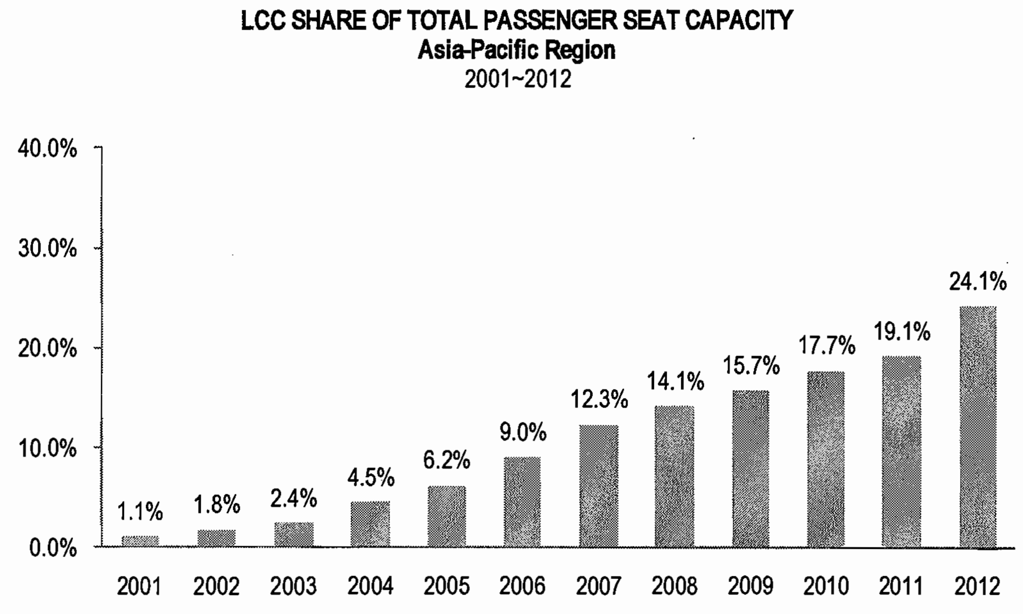
1.6.5 *Future Activities at KLIA*

MAHB is in the process of developing a second terminal, KLIA2, which may become operational in late 2013 and is proposed to be the largest terminal in the world dedicated to low cost carriers. The terminal building is designed for the purpose of facilitating travel between low cost carriers and full service carriers.[11]

2 EVOLUTION OF THE LOW COST CARRIER BUSINESS MODEL

2.1 Introduction

Over the past four decades, and particularly during the last 10 years, the low cost carrier (LCC) model has grown rapidly to become a dominant model in the industry. Southwest Airlines in the United States, which began service in 1971, is widely considered the pioneer of the LCC model. In Asia Pacific, LCCs operated 24.1% of total seat capacity.[12]



2.2 The LCC Business Model

LCCs are defined by their ability to achieve drastically reduced unit operating costs. As a result, the average airfares they offer can be substantially lower than those of other carriers. In their pursuit of keeping costs low, LCCs typically have most, but not necessarily all, of the following operating and financial characteristics:

[11] Malaysia Airports Holdings Berhad Annual Report, 2011
[12] CAPA (Centre for Aviation), based on OAG data, 2013.

2.2.1 *Operating Characteristics*

- Primarily point-to-point services. Limited number of stops or transfers, avoiding costs associated with passenger transfers
- Use of secondary airports, which are often less congested than primary airports, leading to higher levels of dispatch reliability and lower costs of delays and rescheduling of flights
- Fast aircraft turnaround times, to maximize aircraft utilization and employee efficiency
- Flight lengths of 600 km to 2,500 km (under four hours), operating ranges that are particularly efficient for short-haul LCC
- Single fleet types, which reduce maintenance and training costs
- Young fleets, leading to reduced aircraft maintenance costs when compared to fleets of older aircraft.
- Medium capacity, jet aircraft (approximately 100 to 180 seats)
- Single-class service, with higher seat densities than most similarly sized economy class cabins, resulting in the spreading of costs across a greater number of available seats to be sold, lowering overall average costs per passenger
- Limited complimentary offerings. Catering (food/beverages) and checked baggage may be available only on a paid basis.
- Limited cargo services, as they can add time to aircraft turnaround times
- Flexible, entrepreneurial corporate cultures that may not exist at larger, entrenched carriers, that can result in more efficient operations and lower employee costs

2.2.2 *Financial Characteristics*

- Lower-than-average airport costs. Secondary airport charges in many countries are often lower than those of larger, primary or hub airports. In addition, minimal congestion at secondary airports optimizes aircraft turnaround times.
- Lower-than-average airfares. Average airfares are usually lower at LCCs than at full-service carriers, enabled by their lower cost structures. Low passenger airfares at LCCs are also partially offset by their higher-than-average aircraft occupancy levels. Some LCC tickets are fully non-refundable and non-rebookable if the passenger cannot travel as originally planned.
- Ancillary revenues. LCCs usually charge for drinks and meals and some have only limited free checked baggage allowances. Some LCCs add surcharges to their airfares for items that would normally be covered as a normal operating expense (such as ticketing and administration fees). LCCs are often aggressive in the sale of ancillary travel products.

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

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

2.3 LCC Development in Southeast Asia

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

2.4 The Long-Haul LCC Model

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

2.4.1 *Transfer Feed*

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

2.4.2 *Supply/Demand Balance*

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

2.4.3 *Cost/Revenue Balance*

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

2.4.4 *Sales and Marketing Costs*

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

2.4.5 *Airport and Ground Handling Costs*

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

2.4.6 *Capital*

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

2.4.7 *Competition*

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

2.5 Long-Haul LCC Operations

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

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

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

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

- Jetstar Airways, which operates wide-body Airbus A330-200 aircraft to destinations in Australia, China, Indonesia, Japan, New Zealand, Singapore, Thailand, and the United States.

- Scoot, which currently operates Boeing B777-200 aircraft between Singapore and destinations in Australia, China, Japan, Taiwan, Thailand, and, with effect from June 2013, South Korea.

- Cebu Pacific, which plans to begin offering long-haul LCC services on October 7th 2013 with flights to Dubai using Airbus A330-300 aircraft.

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

LONG-HAUL LCC OPERATIONS
Key Characteristics

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

Source: Various sources, including airline websites.

(a) As of the date of the report. Seats in fleet assume 377 seats on all A330 aircraft, including ones that are delivered in April and May 2013.

(b) Operation of two aircraft—providing combined capacity of 872 seats—are planned for 2013. A total of eight aircraft—for a projected total of 3,488 seats—are planned to be in operation by 2016.

2.6 Long-Haul LCC Market Potential

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

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

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

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

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

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

2.7 Long-Haul LCC Strategic Factors

2.7.1 *Competition/Substitution Effects*

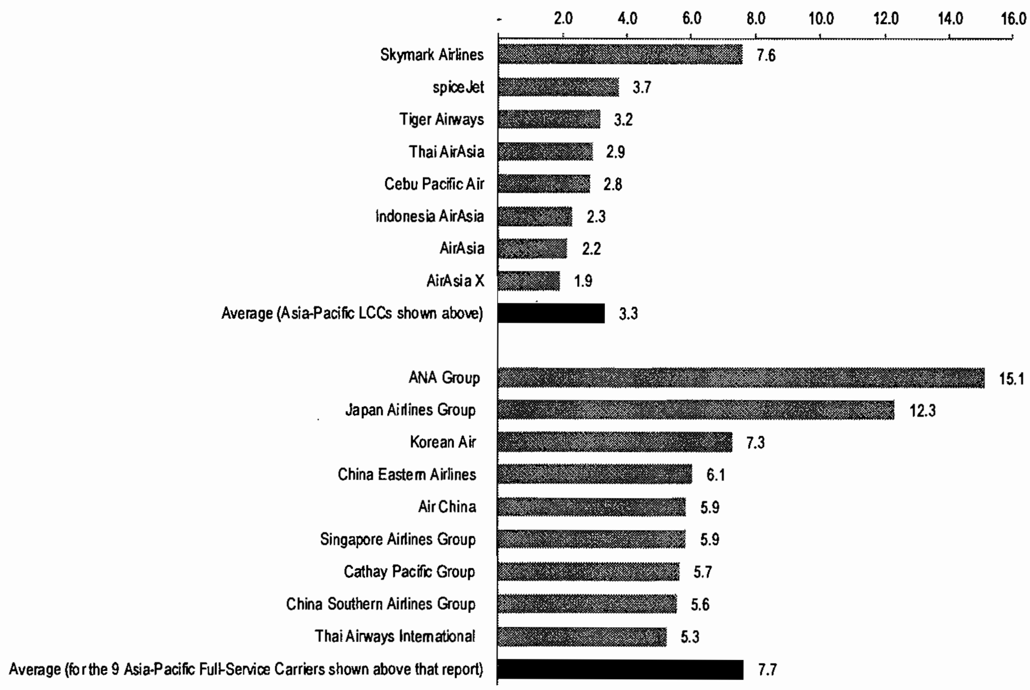
Long-haul LCC routes offer fewer alternatives in terms of mode of transportation. Because distances are great, and often include large stretches over water, travel alternatives on long-haul LCC routes potentially involve multiple and slower modes of transportation.

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

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

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

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



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

2.7.3 *ASK per Employee*

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

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

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

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

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

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

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

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

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

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

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

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

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

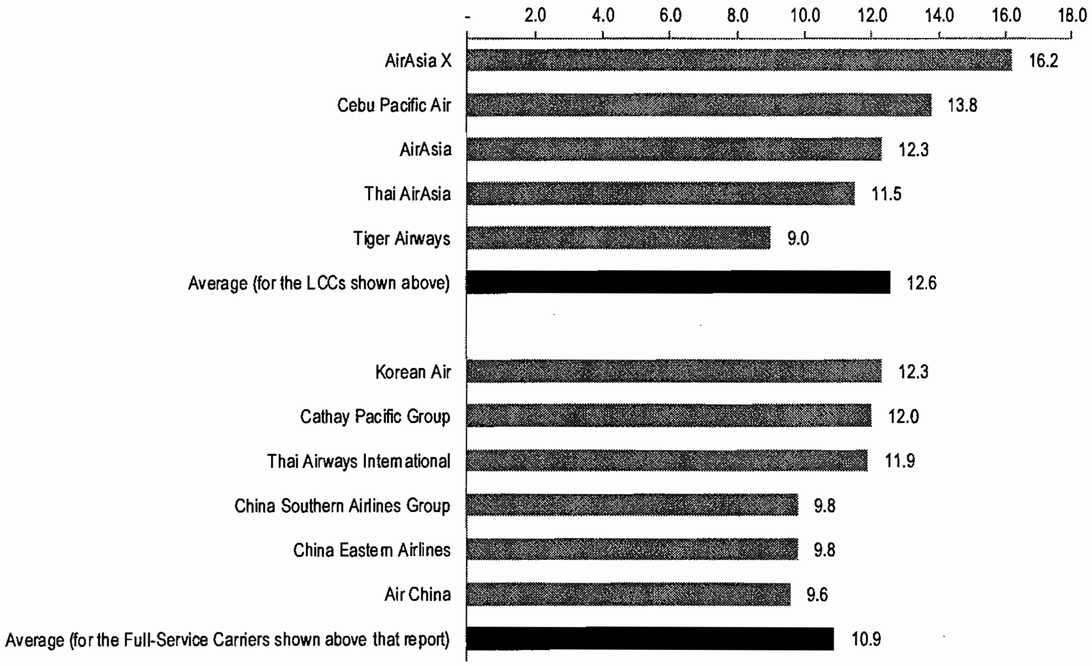
Asia-Pacific		On-Time Performance: 12 month period	Period: 12 months ending
Low-Cost Carriers			
1	Jetstar/Jetstar Asia	76.6%	Jun-12
2	AirAsia	88.0%	Dec-11
3	Skymark Airlines	n.a.	Mar-12
4	spiceJet	n.a.	Mar-12
5	Cebu Pacific Air	76.7%	Dec-11
6	AirAsia X	85.0%	Dec-12
7	Thai AirAsia	84.0%	Dec-11
8	Air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

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

2.8.1 *Aircraft Utilization*

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

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



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

2.8.2 *Baggage Mishandling Rates*

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

[21] Source: Baggage Report 2013, SITA.

2.8.3 *Skytrax Ratings*

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

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

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

Source: Skytrax, March 2013.

2.9 Ancillary Revenues

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

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

Ancillary Revenues as a % of Total

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

Ancillary Revenues per Passenger (US$)

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

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

3 REGULATORY ENVIRONMENT

3.1 Airline Regulation Structure in Malaysia

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

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

3.2 Liberalization of the Aviation Industry

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

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

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

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

3.3 ASEAN Member States and Open Skies

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

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

3.3.1 *Within ASEAN*

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

3.4 Open Skies Agreements with Malaysia

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

3.5 Environmental Regulations

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

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

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

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

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

9.1 Directors

9.1.1 Responsibilities of our Board

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

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

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

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

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

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

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

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

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

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

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

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

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

9.1.2 Board of Directors

Our Board comprises the following Directors:

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

9.1.3 Biographies of our Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.1.4 Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.1.5 Remuneration Committee

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

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

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

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

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

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

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

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

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

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

9.1.6 Nomination Committee

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

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

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

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

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

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

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

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

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

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

9.1.7 Shareholding of our Directors in our Company

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

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

Notes:

* *Negligible, less than 0.01%.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

(8) Negligible.

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

9.2 Key Management

9.2.1 Our Key Management Team

Our key management team comprises:

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

9.2.2 Biographies of our Key Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.2.3 Shareholding of Key Management in Our Company

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

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

Note:

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

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

9.2.4 Principal Business Activities of the Key Management Outside Our Group

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

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

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

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

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

9.3 Promoters

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

9.3.1 Aero Ventures Sdn Bhd

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

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

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

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

(i) Ordinary Shares

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

Notes:

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

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

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(ii) Redeemable Convertible Preference Shares

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

Notes:

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

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

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

9.3.2 AirAsia Berhad

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

9.3.3 Dato' Kamarudin Bin Meranun

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

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

9.3.4 Tan Sri Dr. Anthony Francis Fernandes

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

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

9.3.5 Dato' Seri Kalimullah Bin Masheerul Hassan

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

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

9.3.6 Lim Kian Onn

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

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

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9.4 Substantial Shareholders

9.4.1 Direct and Indirect Shareholding of Our Substantial Shareholders

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

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

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

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

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

Notes:

N/A Not applicable

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

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

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

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

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

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

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9.4.2 Changes in Shareholdings of Our Substantial Shareholders

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

(i) Ordinary Shares

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

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

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

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

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

Notes:

(1) Ordinary shares of RM1.00 each.

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

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

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

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

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

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

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

(ii) RCPS

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

Notes:

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

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

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9.4.3 Aero Ventures Sdn Bhd

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

9.4.4 AirAsia Berhad

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

9.4.5 Orix Airline Holdings Limited

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

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

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

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

Note:

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

9.4.6 Manara Malaysia I Limited

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

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

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

9.4.7 Agreement between Our Substantial Shareholders

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

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

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

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

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

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

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

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

9.6 Declaration by Our Directors, Promoters and Key Management

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

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

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

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

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

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

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

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

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9.7 Service Agreements

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

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

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

9.8 Other Matters

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

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

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

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

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

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10. APPROVALS AND CONDITIONS

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

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

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

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

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

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10. APPROVALS AND CONDITIONS (cont'd)

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

10. APPROVALS AND CONDITIONS (cont'd)

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

10. APPROVALS AND CONDITIONS (cont'd)

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

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

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

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10. APPROVALS AND CONDITIONS (cont'd)

10.1 Moratorium on Our Shares

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

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

Note:

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

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

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

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

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

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTERESTS

11.1 Related Party Transactions

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

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

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

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

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

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

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

11.1.1 Related Party Transactions Entered Into by Our Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.1.2 Recurrent Related Party Transactions Entered Into by Our Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.1.3 Involvement of Our Shareholder in Similar Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.1.4 Transactions Entered Into That Are Unusual In Nature or Condition

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

11.1.5 Outstanding Loans and Guarantees to Related Parties

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

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

11.2.1 Audit Committee Review

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

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

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

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

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

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

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

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

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

11.3 Declarations by Advisers on Conflicts of Interest

11.3.1 Declaration by CIMB

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

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

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

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

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11.3.2 Declaration by Credit Suisse and Credit Suisse Malaysia

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

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

11.3.3 Declaration by Maybank IB

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

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

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

11.3.4 Declaration by Barclays

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

11.3.5 Declaration by BNP Paribas

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

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

11.3.6 Declaration by Citi

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

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

11.3.7 Declaration by CLSA

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

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

11.3.8 Declaration by HSBC

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

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

11.3.9 Declaration by Morgan Stanley

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

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

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

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

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

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

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

11.3.10 Declaration by PricewaterhouseCoopers

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

11.3.11 Declaration by KIBB

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

11.3.12 Declaration by RHB

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

11.3.13 Declaration by AFFIN

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

11.3.14 Declaration by MIDF

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

11.3.15 Declaration by Christopher Lee & Co.

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

11.3.16 Declaration by Pillsbury Winthrop Shaw Whitman LLP

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

11.3.17 Declaration by Zaid Ibrahim & Co

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

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

11.3.18 Declaration by Allen & Overy LLP

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

11.3.19 Declaration by S-A-P

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

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12. FINANCIAL INFORMATION

12.1 Introduction

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

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

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

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

12.2 Historical Consolidated Income Statements and Statements of Comprehensive Income

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

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

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

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

12. FINANCIAL INFORMATION (cont'd)

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

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

* *Negligible*

12. FINANCIAL INFORMATION (cont'd)

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

12.3 Historical Operating Data

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

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

12. FINANCIAL INFORMATION (cont'd)

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.4 Factors Affecting Our Results of Operations

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

12.4.1 Aircraft Capacity

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

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

12.4.2 Aircraft Utilisation

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

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

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

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

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

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

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

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

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

12.4.3 Passenger Volume

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

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

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

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

12.4.4 Fuel Prices

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

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

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

12.4.5 Non-Fuel Operating Expenses

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

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

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

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

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

12.5 Critical Accounting Policies

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

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

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

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

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

12.5.1 Property, Plant and Equipment

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

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

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

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

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

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

12.5.2 Deferred Tax Assets

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

12.6 Principal Components of Consolidated Income Statements

12.6.1 Revenue

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

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

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

Notes:

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

* *Negligible*

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

Notes:

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

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

Scheduled flights

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

Fuel surcharge

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

Ancillary revenue

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

Freight and cargo

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

Charter flights

Charter flights represent revenue from non-scheduled flights.

Refund

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

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

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

Management fees

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

Others

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

12.6.2 Operating Expenses

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

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

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

Notes:

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

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

Staff costs

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

Depreciation of property, plant and equipment

Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over the assets' estimated useful lives, which assets include aircraft (engine, airframe and service potential), aircraft spares, aircraft fixtures and fittings, motor vehicles and office equipment, furniture and fittings.

Aircraft fuel expenses

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

Maintenance, overhaul, user charges and other related expenses

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

Aircraft operating lease expenses

This consists of lease expenses incurred for leased aircraft.

Other operating expenses

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

12.6.3 Other Income

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

12.6.4 Finance Income

Finance income consists primarily of interest income on deposits.

12.6.5 Finance Costs

Finance costs consist primarily of interest expense on bank borrowings.

12.6.6 Foreign Exchange Gain / (Loss) on Borrowings

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

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12.6.7 Taxation

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

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

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

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

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

12.7 Segment Information

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

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

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

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

Notes:

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

(2) Represents the Nepal route.

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

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

12.8 Results of Operations

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

Revenue

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

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

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

Other Income

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

Operating Profit

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

Finance Income

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

Finance Costs

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

Foreign Exchange Gain / (Loss) on Borrowings

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

PBT

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

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

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

Taxation

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

PAT

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

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

Revenue

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

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

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

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

Other Income

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

Operating Profit / (Loss)

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

Finance Income

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

Finance Costs

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

Foreign Exchange Gain / (Loss) on Borrowings

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

PBT / (LBT)

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

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

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

Taxation

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

PAT / (LAT)

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

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

Revenue

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

Other Income

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

Operating Profit / (Loss)

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

Finance Income

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

Finance Costs

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

Foreign Exchange Gain / (Loss) on Borrowings

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

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

PBT / (LBT)

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

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

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

Taxation

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

PAT / (LAT)

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

12.9 Liquidity and Capital Resources

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

12.9.1 Working Capital

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

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12.9.2 Cash Flows

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

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

Net Cash Generated From / (Used In) Operating Activities

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

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

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

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

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

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

   - an increase in trade and other payables of RM43.6 million, mainly related to the increase in operating expenses in line with the increase in revenue generated during the year; and

   - a decrease in amounts due from related parties of RM33.7 million, mainly due to the settlement of amounts due from AirAsia Berhad; and

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

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

- PBT of RM98.0 million in 2010;

- Adjustments for non-cash items of RM32.5 million, due primarily to depreciation of property, plant and equipment of RM101.8 million, interest expense of RM55.1 million and net unrealised foreign exchange gains of RM94.9 million;

- An increase in working capital of RM155.6 million during 2010, comprised of:

   - an increase of sales in advance of RM227.9 million, primarily the result of an increase in forward seat sales as a result of additional aircraft acquired during 2010;

   - an increase in receivables, prepayments and other deposits of RM23.3 million, which was mainly related to deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft during the year; and

   - an increase in amounts due from related parties of RM42.9 million, mainly due to the increase in amounts due from AirAsia Berhad during 2010; and

- RM60.7 million of interest paid mainly for the export credit agency facilities in connection with the financing of our aircraft currently held under finance leases.

Net Cash Generated From / (Used In) Investing Activities

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

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

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

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

Net Cash (Used In) / Generated From Financing Activities

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

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

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

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

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12.9.3 Borrowings

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

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

Note:

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

(i) Revolving Credit Facility

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

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

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

(ii) Term Loans

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

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

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

(b) assignment of insurance of each aircraft; and

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

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

(iii) Time Loan

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

(iv) Commodity Murabahah Term Financing

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

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

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

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

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

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

For the year ended 31 December 2012, our debt service coverage ratio was 1.01 times, which did not comply with the required debt service coverage ratio of 1.35 times under our RM48.0 million time loan (RM32.0 million outstanding as at 31 March 2013). The lender under this time loan has provided us with a waiver from complying with this debt service coverage ratio until 31 July 2013, and we are currently in compliance with the terms of this covenant. In addition, we have obtained a waiver until 31 July 2013 from having to comply with the required current ratio covenant of 1.00 times under our RM100.0 million revolving credit facility, which was not met in the year ended 31 December 2012. The lender has irrevocably waived its right to exercise the remedies it may have as a result of this non-compliance until 31 July 2013. We intend to use proceeds from the Public Issue to repay all outstanding loan amounts under both the RM48.0 million time loan (RM32.0 million outstanding as at 31 March 2013) and the RM100.0 million revolving credit facility.

Notwithstanding the non-compliance with the covenants set forth above, our Group is not currently in breach of any terms and conditions or covenants associated with our credit arrangements or borrowings which would have a material adverse effect on our Group's financial position or results of operations.

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12.9.4 Aircraft Finance Leases

(i) Export Credit Agency Guaranteed Financing

We have obtained limited recourse borrowings for the purpose of financing our purchase of 5 aircraft from Airbus that are currently held under finance leases. Although the legal ownership over these 5 aircraft remains vested with a third party special purpose vehicle that acts as the borrower of loan proceeds used to acquire these aircraft, the beneficial ownership and operational control of these aircraft vests with our Group. Accordingly, the borrowings incurred in connection with the acquisition of these aircraft are consolidated on our balance sheet. In order to finance the acquisition, each borrower entered into an export credit agency guaranteed loan agreement (collectively, the "**ECA Agreements**") with the respective lenders who provided the required financing to acquire the 5 aircraft currently subject to finance leases. The total borrowings outstanding in connection with the acquisition of the 5 aircraft held under finance leases equals approximately USD265.9 million (or approximately RM821.2 million) as at 31 March 2013, with the maturity dates of such borrowings ranging from July 2020 to December 2021.

The principal terms of the ECA Agreements entered into by the borrowers in respect of each of the aircraft are as follows:

(a) Limited recourse

The lenders have a contractual right to be paid sums due and owing to them by our Company under the ECA Agreements in accordance with the terms thereof, which sums shall not be limited to the value of the collateral provided thereunder. However, the respective lenders' claims against the borrower are limited to the amount of proceeds that may be realised from an enforcement of the security provided over the relevant aircraft.

(b) Security

In addition to the mortgage created by each of the borrowers for the benefit of the respective lenders, the borrowers have assigned all of their respective interests, rights and benefits to any amounts that we are obligated to pay the borrowers under the finance leases for the benefit of the lenders.

(c) Covenants

Our covenants under the finance leases that have been assigned for the benefit of the lenders include:

(i) Not declaring or paying dividends or making any distribution of assets to shareholders whether in cash, assets or obligations, without prior written consent; provided that we may pay and/or declare dividends following an initial public offering for so long as our shares are listed and tradable on an internationally recognised stock exchange;

(ii) not doing or taking any action or knowingly omitting to take any action which has or may have the effect of prejudicing or impairing the security interests in respect of the relevant aircraft; and

(iii) ensuring that our total debt to equity ratio does not exceed the ratio of 3.2:1 during 2012 and thereafter the ratio of 3.0:1.

(d) Events of default

The events of default under each of the ECA Agreements include, but are not limited to:

(i) Ownership and control: if AirAsia Berhad, Tan Sri Dr. Anthony Francis Fernandes and/or Dato' Kamarudin Bin Meranun (in any combination or any one of them) cease or are likely to cease (A) to own (directly or indirectly) collectively at least 35.0% of the issued share capital of our Company; or (B) to control (directly or indirectly) our Company; or

(ii) Cross-default: if there is an event of default occurring under the other aircraft financings.

(e) Mandatory prepayment

Each of the ECA Agreements contains a provision whereby each borrower is required to prepay all outstanding amounts under the ECA Agreement should the AirAsia Services Agreement with AirAsia Berhad be terminated.

As at the LPD, we have not defaulted or failed to comply with any covenants in the ECA Agreements.

(ii) Additional Finance Lease

We have recently entered into an additional finance lease with financing from offshore banks (which comprises senior lenders and mezzanine lenders) to partially finance our purchase of a new A330-300, which was delivered on 22 April 2013. As is the case with the ECA Agreements, although the legal ownership of the aircraft remains vested with a third party special purpose vehicle that acts as the borrower of the loan proceeds used to acquire the aircraft, the beneficial ownership and operational control of the aircraft vests with our Group. Accordingly, the borrowings incurred in connection with the acquisition of this additional A330-300 is consolidated on our balance sheet and the total outstanding borrowings amounts to USD80.0 million (or approximately RM242.7 million) as at 18 April 2013, with the maturity dates ranging from April 2016 (for mezzanine loans) to April 2023 (for senior loans).

The principal terms of this additional finance lease are as follows:

(a) Limited recourse

Both mezzanine and senior lenders have a contractual right to be paid sums due and owing to them by our Company under the loan agreement in accordance with the terms thereof, which sums are not limited to the value of the collateral provided thereunder. However, both lenders' claims against the borrower are limited to, amongst others, the amount of proceeds that may be realised from the enforcement of the security created thereunder.

(b) Security

In addition to the mortgage, the borrower has also assigned, amongst others, all of its rights, title, interest and benefit to any amounts that we are obligated to pay the borrower under the finance lease, for the benefit of the lenders.

(c) Events of default

Events of default under this finance lease include amongst others, a cross-default provision that is triggered if any financial indebtedness of our Company is not paid when due nor within any originally applicable grace period or where any financial indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever which is continuing), provided that the aggregate amount of financial indebtedness is more than USD10.0 million and that the event triggering the cross-default provision has a material adverse effect on our ability to perform our obligations under the aircraft financing documents to which we are a party.

(d) Mandatory Prepayment

The borrower is required to prepay if, amongst others, a total loss of the aircraft or the airframe occurs on or after the utilisation date.

We have also, on 16 April 2013, procured the issuance of a standby letter of credit ("**SBLC**") for up to USD6.0 million (or approximately RM18.2 million based on the exchange rate as at 16 April 2013) to provide maintenance reserves deposit as required under this additional finance lease, for our purchase of the new A330-300 that was delivered in April 2013. This SBLC is secured by a first fixed charge over credit balances of our account in London maintained with the SBLC provider, where an amount equal to 50% of the SBLC amount has been deposited.

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12.9.5 Aircraft Operating Leases

We have entered into the following operating leases:

Aircraft Serial Number	Aircraft Type	Lease Term
MSN 273	A340-300	6 years, expiring 2 April 2015
MSN 278	A340-300	6 years and 3 months, expiring 26 April 2015
MSN 054	A330-300	32 months, expiring 10 April 2016
MSN 952	A330-300	12 years, expiring 14 July 2022
MSN 974	A330-300	12 years, expiring 31 July 2022
MSN 1165	A330-300	12 years, expiring 21 October 2022
MSN 662*	A330-300	10 years, expiring 2 May 2023

* *Delivered on 3 May 2013*

We do not have an option to acquire the aircraft upon expiry of the operating leases. Our rent payments under these operating leases are on a fixed basis.

As at the LPD, we have not defaulted or failed to comply with any covenants in our aircraft operating lease agreements.

12.9.6 Capital Expenditure

The table below presents our capital expenditure for the periods indicated.

	Year ended 31 December			3 months ended 31 March
	2010	2011	2012	2013
		RM mil		RM mil
Aircraft engines, airframe and service potential	620.3	2.4	1.5	-
Aircraft spares, fixtures and fittings	34.0	14.4	9.6	0.6
Aircraft and other assets not in operation yet[(1)]	-	-	25.8	21.2
Others[(2)]	1.0	1.1	0.4	-

Notes:

(1) *Includes aircraft and other assets which were not fully paid during the financial year / period and were not in operation.*

(2) *Others include motor vehicles, office equipment, furniture and fittings.*

Our capital expenditures in 2010 consisted primarily of the acquisition of aircraft by finance lease, consisting of 2 additional aircraft in 2010. We expect to continue to incur substantial capital expenditure, primarily from the proposed use of finance leases to expand the size of our fleet. For instance, during the period subsequent to 31 March 2013 and up to the LPD, we accepted delivery of an additional A330-300, acquired by way of finance lease.

Please refer to Section 7.5 of this Prospectus for further information on our fleet. No assurance can be given that our acquisition of additional aircraft will be completed in the expected time frame or within the estimated budget. Please refer to Section 5.2.3 for a description of the risks associated with the implementation of our growth strategy.

12.9.7 Capital and Contractual Commitments

As at 31 March 2013, we had the following commitments:

	As at 31 March 2013	Within one year	After one year but within three years	After three years but within five years	After five years
			RM 000		
Aircraft[(1)]	21,424,307	2,855,009	7,137,524	2,855,009	8,576,765
Aircraft operating lease expenses[(2)]	2,442,948	222,891	550,328	476,400	1,193,329
Total	23,867,255	3,077,900	7,687,852	3,331,409	9,770,094

Notes:

(1) Aircraft commitments represent approved and contracted commitments for the purchase of 18 A330-300s and 10 A350-900s at a total list price of approximately USD6.9 billion (or approximately RM21.4 billion), before negotiated discounts (which can only be determined closer to the scheduled aircraft delivery dates due to the numerous variables used in its determination). The aircraft are expected to be delivered between April 2013 to May 2017 for the A330-300s, and 2018 onwards for the A350-900s.

(2) Commitments on aircraft operating lease expenses comprise primarily of the operating leases for 6 A330-300s yet to be delivered as at the LPD and operating leases for our existing 4 A330-300s and 2 A340-300s, with total lease payment commitments amounting to approximately USD0.8 billion (or approximately RM2.4 billion).

In addition, as part of our expansion plan to establish a new hub in Thailand via THAI AAX Co., Ltd. as set out in Section 6.3.2(v)(c) of this Prospectus, our estimated initial capital commitment is approximately USD3.3 million (or approximately RM10.0 million). However, depending on the level of operations, further capital contributions may be required in the near future.

Except as disclosed above, as at the LPD, we were not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position.

Subsequent to 31 March 2013, we accepted delivery of a new A330-300, which reduced our aircraft commitments by approximately USD204.0 million (or approximately RM630.4 million), based on the amounts stated as at 31 March 2013. There were no other material changes, as at the LPD, to our commitments as compared to the amount shown above as at 31 March 2013.

We expect to meet our material commitments through our cash and cash equivalents on hand, as well as cash generated from future operations and funding from other financing activities such as export credit agency facilities, term loans and debt securities.

On 16 May 2013, the International Accounting Standards Board ("**IASB**") and US Financial Accounting Standards Board ("**FASB**") issued a revised exposure draft on accounting for leases. Pursuant to the revised exposure draft, an entity is proposed to, amongst others, recognise assets and liabilities for all leases of more than 12 months on its balance sheet. This is as opposed to existing accounting models for leases whereby a lessee is not required to recognise lease assets or liabilities for operating leases, which have been criticised for failing to meet the needs of users of financial statements because they do not always provide a faithful representation of leasing transactions.

In an attempt to address this, the abovementioned revised exposure draft proposes to eliminate off-balance sheet accounting for leases, with an asset (representing the right to use the leased item for the lease term) and liability (representing the obligation to pay rentals) being recognised on the balance sheet and are initially measured at the present value of lease payments. The right-of-use asset also includes any costs incurred that are directly related to entering into the lease. The revised exposure draft further proposes that the liability be recognised as a lease obligation. This lease obligation may or may not be regarded as a form of borrowings, which may impact the computation of gearing ratios, depending on how one defines such computation.

In respect of the income statement, the revised exposure draft proposes a dual approach to the recognition, measurement and presentation of expenses and cash flows arising from a lease. The principle for determining which approach to apply, is based on the amount of consumption of the underlying asset. This reflects that there is a difference between a lease for which the lessee pays for the part of the underlying asset that it consumes during the lease term, and a lease for which the lessee merely pays for use.

Most leases of equipment or vehicles would be classified as Type A leases, where a lessee typically consumes a part of any equipment or vehicle that it leases (including aircraft). In such instances, a lessee would present amortisation of the right-of-use asset in the same line item as other similar expenses (for example, depreciation of property, plant and equipment) and interest on the lease liability in the same line item as interest on other, similar financial liabilities. The proposal for Type A leases, as set out in the revised exposure draft, may result in higher expenses being recognised towards the initial stages of the lease term and correspondingly lower expenses being recognised towards the end of the lease term, unless the lease term is insignificant compared to the underlying asset's economic life or the present value of fixed lease payments is insignificant relative to the fair value of the underlying asset.

On the other hand, most leases of property would be classified as Type B leases, where a lessee merely pays for use of the asset. In such instances, those payments for use are presented as one amount in a lessee's income statement and recognised on a straight light basis.

The deadline for comments on the revised exposure draft is 13 September 2013. Currently, there is no indication of the new standard's effective date.

All criteria of applying the revised standard on leases are currently only at a proposal stage, which is theoretical and untested. Furthermore, as mentioned above, the revised exposure draft is currently in the comments period. Due to the current state of flux of the revised exposure draft and the lack of formal guidance published on the criteria in applying the proposed new standard, we are unable to reliably evaluate the impact of the accounting treatment to our operating leases under the new framework.

12.10 Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements which are reasonably likely to have a material effect on our results of operations or our financial condition.

12.11 Contingent Liabilities

As at the LPD, our Directors were not aware of any contingent liabilities which upon becoming enforceable, may have a material impact on our Group's results of operations or financial conditions.

12.12 Material Divestitures

Other than as described below, there have not been any material divestitures undertaken by our Group for the years ended 31 December 2010, 2011 and 2012 as well as the 3 months ended 31 March 2013.

In 2010, we disposed of 2 aircraft through sale and leaseback transactions, with the gain recognised from such disposal of RM27.0 million. These aircraft were acquired in 2008 using term loan facilities and the sale proceeds from the sale and leaseback transactions were used to settle these outstanding term loans and penalties imposed on early settlement of these loans.

As at the LPD, we did not have any uncompleted material divestitures.

12.13 Key Financial Ratios

The following table sets forth certain key financial ratios of our Group based on the consolidated financial statements of our Company for the years / periods indicated.

	Year ended 31 December			3 months ended 31 March
	2010	2011	2012	2013
Trade payables turnover period (days)	51.6	45.8	78.9	137.8
Current ratio (times)	0.7	0.3	0.3	0.2
Gearing ratio (times)	1.9	2.3	2.4	2.2

We do not have significant trade receivables and inventory turnover periods, as our sales are primarily on cash terms, and we do not maintain significant inventories of beverages, consumables and in-flight merchandise.

12.13.1 Trade Payables Turnover Period

	Year ended 31 December			3 months ended 31 March
	2010	2011	2012	2013
		RM 000		RM 000
Average trade payables[(1)]	55,196	77,062	135,921	174,605
Total purchases	390,371	613,875	629,083	115,606
Trade payables turnover period (days)[(2)]	51.6	45.8	78.9	137.8

Notes:

(1) *Average opening and closing trade payables.*

(2) *Average trade payables multiplied by 365 days in the relevant period over total purchases (annualised for the 3 months ended 31 March 2013).*

Our trade payables turnover period decreased from 51.6 days for the year ended 31 December 2010 to 45.8 days for the year ended 31 December 2011 due to the more expedient settlement of outstanding trade payables. Our trade payable turnover period increased from 45.8 days for the year ended 31 December 2011 to 78.9 days for the year ended 31 December 2012 due primarily to favourable credit terms being granted to us by a major supplier, which previously billed us on a prepayment basis. Our trade payables turnover period increased from 78.9 days for the year ended 31 December 2012 to 137.8 days (on an annualised basis) for the 3 months ended 31 March 2013 due primarily to timing differences in the settlement of payables with several trade creditors which were outstanding and past due as at 31 March 2013, which were partially settled in April 2013 subsequently.

12.13.2 Current Ratio

	As at 31 December			As at 31 March
	2010	**2011**	**2012**	**2013**
		RM 000		**RM 000**
Current Assets				
Inventories	524	891	806	640
Receivables and prepayments	99,174	119,751	130,786	135,408
Amount due from related parties	45,032	10,814	15,738	24,507
Deposits, cash and bank balances	356,236	113,980	173,951	86,370
Tax recoverable	-	59	1,711	2,006
	500,966	245,495	322,992	248,931
Current Liabilities				
Trade and other payables	111,131	158,633	254,004	294,004
Sales in advance	506,483	417,087	195,188	153,547
Borrowings	125,535	253,551	521,045	552,186
Amounts due to related parties	-	-	5,929	2,936
Current tax liabilities	570	280	-	-
	743,719	829,551	976,166	1,002,673
Current ratio (times)	0.7	0.3	0.3	0.2

Our current ratio decreased from 0.7 times as at 31 December 2010 to 0.3 times as at 31 December 2011, due primarily to a decrease in deposits, cash and bank balances as at 31 December 2011 compared to 31 December 2010, with a decrease in sales in advance as at 31 December 2011 as compared to 31 December 2010. Our current ratio maintained at 0.3 times from 31 December 2011 to 31 December 2012 primarily as a result of an increase in deposits, cash and bank balances, a decrease in sales in advance and an increase in trade and other payables and borrowings. Our current ratio remained relatively constant at 0.2 times as at 31 March 2013 as compared to 0.3 times as at 31 December 2012.

12.13.3 Gearing Ratio

	As at 31 December			As at 31 March
	2010	2011	2012	2013
		RM 000		RM 000
Total borrowings				
- Current	125,535	253,551	521,045	552,186
- Non current	1,097,717	1,024,996	871,211	806,722
	1,223,252	1,278,547	1,392,256	1,358,908
Shareholders' equity	643,579	546,881	580,730	630,957
Gearing ratio (times)	1.9	2.3	2.4	2.2

Our gearing ratio is computed based on total interest bearing debt over total shareholders' equity of our Group.

12.13.4 Aging Analysis

The ageing of our trade payables of approximately RM179.0 million as at 31 March 2013 is as follows:

	Within credit period of 30 days	Not more than 30 days overdue	Between 31 to 90 days overdue
Trade payables (RM 'mil)	80.0	44.6	54.4
% of total trade payables	44.7	24.9	30.4

A total of RM61.9 million out of the abovestated overdue amounts was subsequently settled during the first week of April 2013.

12.14 Financial Risk Management Objectives and Policies

12.14.1 Fuel Price Risk

We are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel, and seek, where appropriate, to hedge the fuel requirements using fuel swaps in order to address the risk of rising fuel prices. Fuel hedging is negotiated together with the AirAsia Group to obtain more competitive rates from the financial institutions, further details of which are set out in Section 7.8.1 of this Prospectus. We have agreed with the AirAsia Group that any gains or losses on such fuel hedging contracts entered into by AirAsia Berhad are to be allocated to us based on the amount of fuel consumed by us when the hedging contracts mature, divided by the total budgeted amount of fuel hedged by the AirAsia Group. We do not enter into any fuel hedging contracts directly, and any gain or loss arising from fuel hedging is recognised when risk transfers to our Group, namely upon allocation by AirAsia Berhad to us when we consume the fuel. We also pass a portion of our fuel price increases to our passengers in the form of fuel surcharges. However, our fuel surcharges do not fully compensate us for fuel price increases. As at 31 March 2013, we did not have any outstanding fuel swaps.

12.14.2 Foreign Currency Exchange Risk

Apart from RM, our business is transacted in various foreign currencies. Therefore, we are exposed to currency exchange risk with respect to currencies in those countries in which we operate. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible by other AirAsia X Group arrangements and settlements.

In addition to foreign currency exchange exposure in ordinary course transactions, we realise foreign exchange gains and losses as the result of increases and decreases in the value of the RM in relation to the USD as related to our USD-denominated borrowings under our bank facilities. USD-denominated borrowings represented approximately 79.0% of our total borrowings as of 31 March 2013.

Save as disclosed under Section 12.14.3 below, we do not have any form of currency hedging arrangements in place with respect to our USD-denominated borrowings.

12.14.3 Interest Rate Risk

In view of the substantial borrowings taken to finance the acquisition of aircraft, our income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the floating rate borrowings and deposits, and is managed by maintaining a prudent mix of fixed and floating rate debt. Surplus funds are placed with reputable financial institution at the most favourable interest rate. As at 31 March 2013, approximately 39.6% of our total borrowings, equal to approximately RM537.6 million of our total borrowings of RM1.4 billion, are based on floating interest rates.

In connection with the USD80.0 million financing for the new A330-300 delivered in April 2013, further details of which are set out in Section 12.9.4(ii) of this Prospectus, on 17 April 2013 we entered into a USD : RM cross currency interest rate swap with a financial institution in respect of the principal repayment of the USD72.5 million (or approximately RM219.9 million) senior tranche of this loan ("**Swap Facility**").

Under the Swap Facility, we converted the loan whereby:

(i) The USD principal repayment of USD72.5 million throughout the entire tenor of 10 years will be paid in RM at an exchange rate of USD1.00 : RM3.0260; and

(ii) The USD interest of 3-month London Interbank Offered Rate (LIBOR) plus 3.75% will be paid at a RM fixed interest rate of 7.03% per annum for the entire tenor of the loan.

12.14.4 Credit Risk

Our exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances and receivables. As we do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amount of these assets on our balance sheet.

Our credit risk with respect to our deposits and bank balance, or the risk of counterparties defaulting, is addressed by the application of credit approvals, limits and monitoring procedures. In addition, because our deposits and bank balances are placed with major financial institutions, we believe that the possibility of non-performance by these financial institutions is remote.

Our credit risk relating to receivables is addressed by regular monitoring of the applicable counterparties.

12.14.5 Liquidity and Cash Flow Risk

We believe we maintain sufficient cash and cash equivalents and have available funding through adequate amounts of availability under our bank facilities for our working capital requirements.

12.14.6 Capital Risk Management

Consistent with others in the industry, we monitor capital utilisation on the basis of the gearing ratio, which is calculated as total borrowings divided by total shareholders' funds.

12.15 Inflation

We believe that inflation in Malaysia has not had a significant impact on our results of operations. If Malaysia were to experience significant inflation, we may not be able to fully offset the resulting higher costs through fare increases, which could have an adverse impact on our business and results of operations.

12.16 Seasonality

As a significant portion of our passengers travel for leisure, we generally record higher revenue during holiday periods, and in particular from November to January. Accordingly, our revenues and cash flows are generally higher from November to January, and generally lower from February to May due to decreased travel during these months.

12.17 Government / Economic / Fiscal / Monetary Policies

For a description of the main legislation, regulations and orders in Malaysia relevant to civil aviation, please see Section 7.9.5 of this Prospectus. Risks relating to government, economic, fiscal and monetary policies which may materially affect our Group's operations are set out in Section 5 of this Prospectus.

12.18 Prospects and Trends

The results of our Group's operations for the year ending 31 December 2013 have so far been and/or are expected to be mainly influenced by the key factors affecting our business as described in Section 12.4 of this Prospectus. Except as disclosed in Section 12.4, the "Industry Overview" as set out in Section 8 and "Risk Factors" as set out in Section 5 of this Prospectus, and to the best of our Directors' knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on the financial condition and results of operations of our Group, However, the factors and trends affecting our Group's financial position and operations as set out above and in "Risk Factors" as set out in Section 5 of this Prospectus are not exhaustive.

As an air service provider, we do not have any order book.

12.19 Capitalisation and Indebtedness

The following information should be read in conjunction with the Reporting Accountants' letter and the pro forma consolidated balance sheet as at 31 December 2012 and the notes thereon set forth in Section 12.22 of this Prospectus and the Accountants' Report set forth in Section 13 of this Prospectus.

The table below sets out the deposits, cash and bank balances as well as capitalisation and indebtedness of our Group based on the audited consolidated balance sheet of our Group as at 31 December 2012 and based on the pro forma consolidated balance sheet as at 31 December 2012 set out in Section 12.21 of this Prospectus, on the assumption that our IPO and utilisation of proceeds therefrom had occurred on 31 December 2012. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 December 2012 and is provided for information purposes only. The total indebtedness of our Group is not guaranteed by any third party.

	Audited	Pro Forma
	As at 31 December 2012	After IPO
	RM 000	
Cash and cash equivalents[1]	173,951	443,684[4]
Indebtedness		
Short term debt		
Secured		
Term loans	100,027	100,027
Time loan	48,000	16,000
Unsecured		
Revolving credit	351,705	151,709
Commodity Murabahah Term Financing	21,313	7,500
	521,045	275,236
Long term debt		
Secured		
Term loans	739,336	739,336
Unsecured		
Revolving credit	131,875	91,875
	871,211	831,211
Total indebtedness[2]	1,392,256	1,106,447
Total shareholders' equity / capitalisation	580,730	1,410,556
Total capitalisation and indebtedness	1,972,986	2,517,003
Gearing ratio (times)[3]	2.4	0.8

Notes:

(1) *Cash and cash equivalents comprise deposits, cash and bank balances.*

(2) *Total indebtedness includes short term debts and long term debts.*

(3) *Computed based on total debts divided by total shareholders' equity. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in our Group's consolidated balance sheet).*

(4) *Comprised adjustments for gross proceeds from Public Issue of RM859.3 million less utilisation for capital expenditure of RM280.0 million, repayment of borrowings of RM285.8 million and estimated listing expenses of RM38.0 million and proceeds from the exercise of the Proposed Initial Grant pursuant to the ESOS of RM14.3 million.*

12.20 Dividend Policy

Presently, our Company does not have a formal dividend policy. We have not paid any dividends to our shareholders since the incorporation of our Company and we are unlikely to pay any dividends in the immediate future due to our expected growth and expansion plans. Notwithstanding our current financial position, going forward, our Board intends to adopt a progressive dividend policy once we commence dividend payments, whereby we seek to increase dividend payouts in line with increases in our profitability. This is however, subject to the following factors and in the absence of any circumstances which may affect or restrict our ability to pay dividends.

The declaration of interim dividends and the recommendation of any final dividends will be subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Our ability to pay future dividends to our shareholders is subject to various factors including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plans. The payment of dividends may also be limited by restrictive covenants contained in our current and future financing agreements.

Please refer to Section 5.3.4 of this Prospectus for further details on the factors which may affect or restrict our ability to pay dividends.

12.21 Pro Forma Consolidated Balance Sheet

Presented below is the consolidated balance sheet of our Group as at 31 December 2012 based on the following:

(i) The audited consolidated balance sheet of our Group as at 31 December 2012 as presented in the Accountant's Reports in Section 13 of this Prospectus; and

(ii) On a pro forma basis giving effect to the completion of our IPO and related transactions, including the conversion of all outstanding RCPS into Shares, the subdivision of every 3 ordinary shares of RM1.00 each into 20 Shares, the issue and allotment of 9,850,000 Shares assuming all the ESOS Options pursuant to the Proposed Initial Grant are exercised and the completion of the Public Issue with the receipt of the estimated gross proceeds of RM859.3 million based on an assumed Institutional Price and Final Retail Price of RM1.45 per Share and the utilisation of such proceeds as described under Section 4.10 of this Prospectus, as if all such transactions had occurred as of 31 December 2012.

The pro forma consolidated balance sheet has been prepared on the basis set out in the notes in Section 12.22 of this Prospectus, using financial statements prepared in accordance with MFRS and in a manner consistent with both the format of the financial statements and the accounting policies of our Group.

The pro forma consolidated balance sheet should be read in conjunction with the Reporting Accountants' letter as set forth in Section 12.22 of this Prospectus.

	Audited As at 31 December 2012 RM 000	Pro Forma After IPO RM 000
Non-Current Assets		
Property, plant and equipment	1,325,822	1,605,822
Deferred tax assets	234,840	234,840
Deposits on aircraft purchase	418,395	418,395
Other deposits	126,058	126,058
	2,105,115	2,385,115
Current Assets		
Inventories	806	806
Receivables and prepayments	130,786	130,786
Amounts due from related parties	15,738	15,738
Deposits, cash and bank balances	173,951	443,684
Tax recoverable	1,711	1,711
	322,992	592,725
Less: Current Liabilities		
Trade and other payables	254,004	254,004
Amounts due to related parties	5,929	5,929
Sales in advance	195,188	200,904
Borrowings	521,045	275,236
	976,166	736,073
Net current (liabilities) / assets	(653,174)	(143,348)
Less: Non-Current Liability		
Borrowings	871,211	831,211
NET ASSETS	580,730	1,410,556
Capital and Reserves attributable to the equity holders of the Company		
Share capital	266,667	357,034
Share premium	215,832	975,548
Currency translation reserve	(66)	(66)
Retained earnings	98,297	78,040
SHAREHOLDERS' EQUITY	580,730	1,410,556
Number of ordinary shares of RM1.00 each ('000)	224,000	N/A
Number of RCPS ('000)	42,667	N/A
Total share capital ('000)	266,667	N/A
Number of ordinary shares of RM0.15 each ('000)	1,493,333[(1)]	2,380,220
Net tangible assets attributable to equity holders of the Company[(2)] (RM 000)	580,730	1,410,556
Net tangible assets attributable to equity holders of the Company per ordinary share[(3)] (sen)	38.9	59.3
Net assets attributable to equity holders of the Company[(4)] (RM 000)	580,730	1,410,556
Net assets attributable to equity holders of the Company per ordinary share[(5)] (sen)	38.9	59.3

12. FINANCIAL INFORMATION (cont'd)

Notes:

N/A *Not applicable*

(1) *Number of ordinary shares illustrated is assumed to be retrospectively adjusted after completion of the subdivision of 224,000,001 shares on the basis of every 3 ordinary shares of RM1.00 each subdivided into 20 ordinary shares of RM0.15 each.*

(2) *Net tangible assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company less intangible assets (if any).*

(3) *Net tangible assets attributable to equity holders of the Company per ordinary share = Net tangible assets attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each.*

(4) *Net assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company.*

(5) *Net assets attributable to equity holders of the Company per ordinary share = Equity attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each.*

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12.22 Reporting Accountants' Letter on the Pro Forma Consolidated Balance Sheet

pwc

The Board of Directors
AirAsia X Berhad
Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor

24 May 2013

PwC/SN/MC/CTJ/nm/0098C

Dear Sirs,

AirAsia X Berhad ("the Company" or "AirAsia X")
Report on the Compilation of Pro Forma Consolidated Balance Sheet

1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Balance Sheet of AirAsia X and its subsidiaries ("AirAsia X Group" or "the Group") as at 31 December 2012, together with the notes thereon. The Pro Forma Consolidated Balance Sheet as set out in Appendix A (which we have stamped for the purpose of identification), has been compiled by the Directors of the Company for inclusion in the Prospectus to be issued in connection with the proposed listing of AirAsia X on the Main Market of Bursa Malaysia Securities Berhad ("the Proposal").

2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Balance Sheet are described in Note 2.1 of Appendix A, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ('Prospectus Guidelines').

3 The Pro Forma Consolidated Balance Sheet has been compiled by the Directors, for illustrative purposes only, to show the effects of the Proposal on the Consolidated Balance Sheet presented had the Proposal been effected at the date stated. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's audited consolidated balance sheet as at 31 December 2012, on which an audit report has been published.

The Directors' Responsibility for the Pro Forma Consolidated Balance Sheet

4 The Directors are responsible for compiling the Pro Forma Consolidated Balance Sheet on the basis set out in Note 2.1 of Appendix A, and in accordance with the requirements of the Prospectus Guidelines.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

The Board of Directors
AirAsia X Berhad
PwC/SN/MC/CTJ/nm/0098C
24 May 2013

Our Responsibilities

5 Our responsibility is to express an opinion about whether the Pro Forma Consolidated Balance Sheet has been compiled, in all material respects, by the Directors on the basis set out in Note 2.1 of Appendix A.

6 We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Balance Sheet on the basis set out in Note 2.1 of Appendix A.

7 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Balance Sheet, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Balance Sheet. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

8 The purpose of the Pro Forma Consolidated Balance Sheet included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2012 would have been as presented.

9 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Balance Sheet has been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Balance Sheet provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Balance Sheet reflects the proper application of those adjustments to the unadjusted financial information.

10 The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Balance Sheet has been compiled, and other relevant engagement circumstances. The engagement also involved evaluating the overall presentation of the Pro Form Consolidated Balance Sheet.

11 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

pwc

The Board of Directors
AirAsia X Berhad
PwC/SN/MC/CTJ/nm/0098C
24 May 2013

Our Opinion

12 In our opinion, the Pro Forma Consolidated Balance Sheet has been compiled, in all material respects, on the basis set out in Note 2.1 of Appendix A.

Other Matter

13 This report is issued for the sole purpose of inclusion in the Prospectus in connection with the Proposal and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Proposal.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur

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Page 1

AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON

1 INTRODUCTION

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 together with the Notes thereon (collectively known as "the Pro Forma Consolidated Balance Sheet") of AirAsia X Berhad ("AirAsia X" or "the Company") and its subsidiaries ("AirAsia X Group" or "the Group"), for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus in connection with the listing of AirAsia X on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (referred to hereafter as "the Proposal").

The Pro Forma Consolidated Balance Sheet of AirAsia X Group has been prepared for illustrative purposes only to show the effects of the Proposal as set out in Note 1.1, on the audited consolidated balance sheet of the Group as at 31 December 2012, had the transaction been effected on that date.

The Pro Forma Consolidated Balance Sheet should be read in conjunction with the notes accompanying thereto.

1.1 The Proposal

AirAsia X will undertake the following transactions in conjunction with, and as an integral part of the listing and quotation of the entire enlarged issued and paid-up capital of AirAsia X on the Main Market of Bursa Securities ("the Listing"), on the assumption that these transactions were completed on 31 December 2012. The transactions set out in paragraphs (a) to (g) below are viewed collectively as one exercise to be undertaken to facilitate the listing proposal of AirAsia X.

(a) Redeemable Convertible Preference Shares ("RCPS") Conversion

This is in relation to the conversion of the 42,666,667 RCPS held by AirAsia Berhad ("AirAsia") into ordinary shares under the terms of the RCPS due to the Listing, which will entail the new issuance of 42,666,667 ordinary shares of RM1.00 each in AirAsia X to AirAsia.

The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the share capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all RCPS into ordinary shares of RM1.00 each in the share capital of the Company upon the receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

On 10 May 2013, AirAsia converted all of its outstanding 42,666,667 RCPS of RM1.00 each in the Company, on a one-to-one basis, into 42,666,667 new ordinary shares of RM1.00 each in the Company, without consideration.

(b) Share Subdivision

AirAsia X will undertake a subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company ("Shares").

On 13 May 2013, AirAsia X completed the subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company.

PRICEWATERHOUSECOOPERS
KUALA LUMPUR
for identification only
Chartered Accountants

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Page 2

AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

1.1 The Proposal (continued)

(c) Increase in Authorised Share Capital

AirAsia X will undertake to increase its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares.

On 13 May 2013, AirAsia X increased its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares.

(d) Employees Share Option Scheme ("ESOS")

In conjunction with the Listing, AirAsia X has implemented an Employees Share Option Scheme ("ESOS") which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of AirAsia X at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for another five (5) years, subject to a maximum duration of ten (10) years.

Prior to the Listing, the Board of Directors of AirAsia X proposes to grant up to 9,850,000 ESOS Options to eligible employees of AirAsia X ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws.

For the purpose of illustration only, the following assumptions have been made:

(i) The ESOS Options under the Initial Grant will be in respect of 9,850,000 new ordinary shares of RM0.15 each ("Shares") in the Company, which are assumed to be made available and vested on 31 December 2012, upon which new Shares are assumed to be issued and allotted on the same date;

(ii) The exercise price of the ESOS Options is RM1.45 per option;

(iii) The fair value of the ESOS Options calculated on the grant date is assumed to be 47.9 sen per option, determined based on Black-Scholes Option Pricing model. The total fair value of the ESOS Options is RM4,714,000;

(iv) The total number of new ordinary shares under the Initial Grant which is assumed to be 9,850,000 Shares, will vary depending on the final IPO Price upon Listing; and

(v) The impact of the remaining ESOS Options that will be made available under the ESOS, if any, is not illustrated as it will only be determined by the Board of Directors and granted subsequent to the IPO.

AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

1.1 The Proposal (continued)

(e) Initial Public Offering ("IPO")

(i) Public Issue

Public issue of 592,592,600 new ordinary shares of RM0.15 each in AirAsia X ("Issue Shares"), representing approximately 25.0% of the enlarged issued and paid-up share capital of AirAsia X, at the initial issue price of RM1.45 per ordinary share ("IPO Price") for total gross proceeds of RM859,259,270, payable in full upon application.

(ii) Offer for Sale

Offer for Sale by the existing ordinary shareholders to the public of up to 197,530,900 existing ordinary shares of RM0.15 each in AirAsia X ("Offer Shares"), representing approximately 8.3% of the enlarged issued and paid-up share capital of AirAsia X, at the initial issue price of RM1.45 per ordinary share ("IPO Price").

The Offer for Sale is not expected to have any effects on the issued and paid-up share capital of the Company as the Offer Shares were already in existence prior to the IPO.

Collectively, the Issue Shares and Offer Shares are referred to as IPO Shares.

For illustration purposes only, it is assumed that the price payable by the institutional investors to be determined by way of book building and the final price payable by the retail investors is equal to RM1.45, being the initial price payable by the retail investors.

(f) Shareholders' Benefit Programme

AirAsia X also proposes to implement a Shareholders' Benefit Programme as an incentive programme for its shareholders. The inaugural benefit which will be introduced under the Shareholders' Benefit Programme is applicable to shareholders who have successfully subscribed for, or acquired IPO Shares made available to Malaysian public, and the eligible passengers under the Retail Offering ("Retail Investors"). The Shareholders' Benefit Programme will be effective from the date of the Listing until it is terminated by the Board of Directors of AirAsia X, at its sole discretion.

The entitlements of the Retail Investors under the inaugural benefit are segregated into two categories:

Category A

All Retail Investors who successfully subscribe for, or acquire 10,000 IPO Shares up to 99,999 IPO Shares at Listing and who continue to hold a minimum of 10,000 IPO Shares ("Category A Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category A Eligible Shareholders"), will be entitled to receive and use one (1) zero fare return air ticket to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

1.1 The Proposal (continued)

(f) Shareholders' Benefit Programme (continued)

Category B

All Retail Investors who successfully subscribe for, or acquire 100,000 IPO Shares or more at Listing, and who continue to hold a minimum of 100,000 IPO Shares ("Category B Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category B Eligible Shareholders"), will be entitled to receive and use three (3) zero fare return air tickets to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

(collectively referred to as the "Inaugural Benefit")

The Category A Eligible Shareholders and Category B Eligible Shareholders are collectively referred to as the "Eligible Shareholders".

AirAsia Group is defined as AirAsia, its subsidiaries, joint venture companies, associate companies and other companies using the "AirAsia" brand name, taken as a whole (including AirAsia X).

(g) Utilisation of proceeds from Public Issue

The gross proceeds from the Public Issue of RM859,259,270 as stated in Note 1.1(e)(i) are expected to be utilised in the following manner:

	RM'000
Capital expenditure	280,000
Repayment of borrowings	285,809
General working capital	255,450
Estimated listing expenses	38,000
	859,259

The estimated IPO expenses totalling RM38 million to be borne by AirAsia X comprise brokerage, underwriting and placement fees, professional fees and miscellaneous expenses. The selling shareholders will bear their own professional fees and miscellaneous expenses in respect of the Offer for Sale. A total of RM23.5 million is assumed to be directly attributable to the Public Issue and as such, will be debited against the share premium account whereas the remaining IPO expenses of RM14.5 million are assumed to be attributable to the Listing and as such, will be charged to income statement.

Transactions (a) to (d) above will be implemented and completed before the IPO.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared for illustrative purposes only to show the effects on the audited Consolidated Balance Sheet as at 31 December 2012 based on the assumption that the Proposal as set out in Note 1.1 had been effected on 31 December 2012, and should be read in conjunction with the notes in this Section:

	Audited Consolidated Balance Sheet as at 31 December 2012	Adjustments for the Proposal	Pro Forma Consolidated Balance Sheet after the Proposal
	RM'000	RM'000	RM'000
Non-Current Assets			
Property, plant and equipment	1,325,822	280,000	1,605,822
Deferred tax assets	234,840	-	234,840
Deposits on aircraft purchases	418,395	-	418,395
Other deposits	126,058	-	126,058
	2,105,115	280,000	2,385,115
Current Assets			
Inventories	806	-	806
Receivables and prepayments	130,786	-	130,786
Amounts due from related parties	15,738	-	15,738
Deposits, cash and bank balances	173,951	269,733	443,684
Tax recoverable	1,711	-	1,711
	322,992	269,733	592,725
Less: Current Liabilities			
Trade and other payables	254,004	-	254,004
Amounts due to related parties	5,929	-	5,929
Sales in advance	195,188	5,716	200,904
Borrowings	521,045	(245,809)	275,236
	976,166	(240,093)	736,073
NET CURRENT LIABILITIES	(653,174)	509,826	(143,348)
Non-Current Liability			
Borrowings	871,211	(40,000)	831,211
NET ASSETS	580,730	829,826	1,410,556
Capital and Reserves attributable to the equity holders of the Company			
Share capital	266,667	90,367	357,034
Share premium	215,832	759,716	975,548
Currency translation reserve	(66)	-	(66)
Retained earnings	98,297	(20,257)	78,040
SHAREHOLDERS' EQUITY	580,730	829,826	1,410,556

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 (CONTINUED)

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared for illustrative purposes only to show the effects on the audited Consolidated Balance Sheet as at 31 December 2012 based on the assumption that the Proposal as set out in Note 1.1 had been effected on 31 December 2012, and should be read in conjunction with the notes in this Section (continued):

	Audited		Pro Forma
	Consolidated Balance Sheet as at 31 December 2012	Adjustments for the Proposal	Consolidated Balance Sheet after the Proposal
Number of ordinary shares of RM1.00 each ('000)	224,000	N/A	N/A
Number of redeemable convertible preference shares of RM1.00 each ('000)	42,667	N/A	N/A
Total share capital ('000)	266,667	N/A	N/A
Number of ordinary shares of RM0.15 each ('000)	1,493,333^	886,887	2,380,220
Net tangible assets attributable to equity holders of the Company (RM'000)+	580,730	829,826	1,410,556
Net tangible assets attributable to equity holders of the Company per ordinary share (sen) ++	38.9		59.3
Net assets attributable to equity holders of the Company (RM'000)#	580,730	829,826	1,410,556
Net assets attributable to equity holders of the Company per ordinary share (sen)##	38.9		59.3

N/A Denotes not applicable

^ Number of ordinary shares illustrated is assumed to be retrospectively adjusted after completion of the subdivision of 224,000,001 shares on the basis of every three (3) ordinary shares of RM1.00 each subdivided into twenty (20) shares of RM0.15 each

\+ Net tangible assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company less intangible assets (if any)

++ Net tangible assets attributable to equity holders of the Company per ordinary share = Net tangible assets attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each

\# Net assets attributable to equity holders of the Company = Equity attributable to equity holders of the Company

\## Net assets attributable to equity holders of the Company per ordinary share = Equity attributable to equity holders of the Company divided by the number of ordinary shares of RM0.15 each

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.1 Basis of preparation

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared based on the audited Consolidated Balance Sheet of AirAsia X Group as at 31 December 2012 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the financial statements and accounting policies of AirAsia X Group, except for the adoption of new accounting policies for share-based payments and revenue recognition for multi-element arrangements as set out in Note 2.3 below.

The Pro Forma Consolidated Balance Sheet as at 31 December 2012 has been prepared for illustrative purposes only to show the effects on the audited Consolidated Balance Sheet as at 31 December 2012 on the assumption that the Proposal as set out in Note 1.1 had been effected on 31 December 2012, and should be read in conjunction with the notes in this Section.

The Pro Forma Consolidated Balance Sheet has been prepared for illustrative purposes only. Such information, because of its nature, does not give a true picture of the effects of the Proposal on the financial position of the Group, had the transactions or events occurred on 31 December 2012. Further, such information does not purport to predict AirAsia X Group's future financial position.

The auditors' report on the audited consolidated financial statements of AirAsia X Group as at 31 December 2012 used in the preparation of the Pro Forma Consolidated Balance Sheet was not subject to any modification.

2.2 Effects of the Proposal on the Pro Forma Consolidated Balance Sheet

The Pro Forma Consolidated Balance Sheet ("Pro Forma") has been prepared solely for illustrative purposes to show the effects of the Proposal as set out in Note 1.1, on the financial position of the Group as at 31 December 2012 after incorporating the following adjustments:

(a) Issuance of Issue Shares

The number of Issue Shares to be issued pursuant to the Proposal as described in Note 1.1(e)(i) is 592,592,600 new ordinary shares of RM0.15 each in AirAsia X. For purposes of the Pro Forma, the issue price of these shares is illustrated at RM1.45 per ordinary share to derive at the total gross proceeds of RM859,259,270, payable in full upon application.

(b) Employees Share Option Scheme ("ESOS")

For purposes of the Pro Forma Consolidated Balance Sheet, the number of ESOS Options in respect of 9,850,000 new ordinary shares as described in Note 1.1(d) is assumed to be granted and vested on 31 December 2012, upon which new ordinary shares are assumed to be issued and allotted on the same date. The exercise price of these options is illustrated at RM1.45 per option, amounting to total gross proceeds of RM14,282,500, payable in full upon issuance of the new ordinary shares.

The total fair value of the ESOS Options of RM4,714,000 is recognised in the income statement on the date of grant as share-based payment with a corresponding entry to the share option reserve. Upon the assumed allotment of the shares on 31 December 2012, the share option reserve will be realised into retained earnings, in accordance with the accounting policy for share-based payments as set out in Note 2.3(a) below.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.2 Effects of the Proposal on the Pro Forma Consolidated Balance Sheet (continued)

(c) Shareholders' Benefit Programme

For purposes of the Pro Forma Consolidated Balance Sheet, the fair value of the zero fare return air tickets to be given to Eligible Shareholders in conjunction with the Shareholders' Benefit Programme as described in Note 1.1(f) above, estimated at RM5,716,000 is recognised as sales in advance in the Pro Forma Consolidated Balance Sheet. The sales in advance will be recognised as revenue upon the rendering of transportation services.

The difference between the fair value of the shares in relation to the fair value of the arrangement taken as a whole, and the fair value of the shares at the listing of the Company, is accounted for as a share-based payment and is recognised in the income statement, in accordance with the accounting policy for revenue recognition for multi-element arrangements as set out in Note 2.3(b) below.

(d) Share Capital

The movements in share capital as at 31 December 2012 are as follows:

	Number of ordinary shares '000	Share capital RM'000
Per Audited Consolidated Balance Sheet	224,000[(1)]*	266,667
Conversion of 42,666,667 RCPS held by AirAsia into ordinary shares of RM1.00 each	42,667**	-
Total number of ordinary shares of RM1.00 each	266,667	-
* Share subdivision of 224,000,001 ordinary shares of RM1.00 each into ordinary shares of RM0.15 each	1,493,333	266,667
Adjustments:		
** Share subdivision of 42,666,667 ordinary shares of RM1.00 each into ordinary shares of RM0.15 each	284,445	-
9,850,000 new ordinary shares of RM0.15 each, issued and allotted pursuant to the proposed Initial Grant at RM1.45 each	9,850	1,478
592,592,600 new ordinary shares of RM0.15 each, issued at RM1.45 each, pursuant to the IPO	592,592	88,889
	886,887	90,367
Per Pro Forma Consolidated Balance Sheet	2,380,220	357,034

[(1)] Comprises ordinary shares of RM1.00 each

AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.2 Effects of the Proposal on the Pro Forma Consolidated Balance Sheet (continued)

(e) Share Premium

The movements in share premium as at 31 December 2012 are as follows:

	RM'000
Per Audited Consolidated Balance Sheet	215,832
Adjustments:	
9,850,000 new ordinary shares of RM0.15 each issued and allotted pursuant to the proposed Initial Grant	12,805
592,592,600 new ordinary shares of RM0.15 each, issued at RM1.45 each, pursuant to the IPO	770,370
Estimated listing expenses	(23,459)
	759,716
Per Pro Forma Consolidated Balance Sheet	975,548

(f) Retained Earnings

The movements in retained earnings as at 31 December 2012 are as follows:

	RM'000
Per Audited Consolidated Balance Sheet	98,297
Adjustments:	
Estimated listing expenses	(14,541)
Fair value of the zero fare return air tickets pursuant to the Inaugural Benefit under the Shareholders' Benefit Programme	(5,716)
	(20,257)
Per Pro Forma Consolidated Balance Sheet	78,040

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

2 PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 December 2012 (CONTINUED)

2.3 New accounting policies adopted by the Group

(a) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The total amount to be recognised as an expense over the vesting period (which is the period over which all of the specified vesting conditions are to be satisfied) is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, with a corresponding increase to share option reserve equity. At the end of each financial year, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to share option reserve equity.

When the options are exercised, the Company issues new shares. The proceeds received from the exercise of the options, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium. The share option reserve is realised into retained earnings when options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(b) Revenue recognition for multi-element arrangements

The Group offers certain arrangements whereby eligible investors who acquire or subscribe to a minimum pre-determined number of shares at the listing of AirAsia X and continue to hold that minimum pre-determined number of shares for a specified period, will be entitled to receive and use a zero fare return air ticket to any destination flown by AirAsia X originating from Malaysia during the specified redemption period, subject to the terms and conditions as set out in the Prospectus.

The fair value of each element is determined based on the current market price of each of the elements when sold separately.

The amount recognised as equity upon the issuance of such shares is the fair value of the shares in relation to the fair value of the arrangement taken as a whole.

The amount recognised as sales in advance upon the issuance of such shares is the fair value of the zero fare air tickets in relation to the fair value of the arrangement. The sales in advance will be recognised as revenue upon the rendering of transportation services. At the end of each financial year, the Group revises its estimates of the number of zero fare air tickets that are expected to be issued based on prevailing conditions at each year-end, and recognises the impact of the revision of original estimates, if any, in the income statement. Sales in advance for unredeemed zero fare return air tickets will be recognised as revenue upon the expiry of the specified redemption period.

The difference between the fair value of the shares in relation to the fair value of the arrangement taken as a whole, and the fair value of the shares at the listing of the Company, is accounted for as a share-based payment and is recognised in the income statement.

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AIRASIA X BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012 AND THE NOTES THEREON (CONTINUED)

3 APPROVAL BY BOARD OF DIRECTORS

Approval and adopted by the Board of Directors of AirAsia X in accordance with its resolution dated 24 April 2013.

On behalf of the Board

LIM KIAN ONN
DIRECTOR

Kuala Lumpur
24 May 2013

PRICEWATERHOUSECOOPERS
KUALA LUMPUR
for identification
only
Chartered Accountants

The Board of Directors
AirAsia X Berhad
Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor

24 May 2013

PwC/SN/MC/TCK/sw/0097C

Dear Sirs,

AirAsia X Berhad
Accountants' Report

1.0 Introduction

This Accountants' Report ("Report") has been prepared by PricewaterhouseCoopers, an approved company auditor, for the purpose of inclusion in the Prospectus of AirAsia X Berhad ("AirAsia X" or "the Company") in connection with the initial public offering ("IPO") and listing of AirAsia X on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), and should not be relied upon for any other purposes.

This Report is prepared based on the audited consolidated financial statements of AirAsia X and its subsidiaries ("AirAsia X Group" or "the Group") which have been prepared in accordance with approved accounting standards in Malaysia.

2.0 General Information

2.1 Background

AirAsia X was incorporated as a private limited liability company in Malaysia on 19 May 2006 under the name of Eden Hub Sdn Bhd. The Company subsequently changed its name to Fly Asian Xpress Sdn Bhd on 1 June 2006, and to AirAsia X Sdn Bhd, on 21 September 2007.

On 9 October 2012, the Company was converted from a private company to a public company. The name of the Company was altered from AirAsia X Sdn Bhd to AirAsia X Berhad with effect from that date.

The ultimate holding company is Aero Ventures Sdn Bhd, a company incorporated in Malaysia, which owns 62.2% of the equity interest of the issued and paid up capital of the Company as at 31 December 2012.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

2.0 General Information (continued)

2.1 Background (continued)

The address of the registered office of the Company is as follows:

B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

The address of the principal place of business is as follows:

Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor Darul Ehsan

2.2 Principal activities

AirAsia X is principally engaged in the business of providing long haul air transportation services. The principal activities of the subsidiaries are the provision of management logistical and marketing services.

There were no significant changes in the nature of the principal activities of AirAsia X and its subsidiaries during the financial years relevant in this Report.

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

2.0 General Information (continued)

2.3 Details of the Listing Scheme

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme:

(a) Redeemable Convertible Preference Shares ("RCPS") Conversion

This is in relation to the conversion of the 42,666,667 RCPS held by AirAsia Berhad ("AirAsia") into ordinary shares under the terms of the RCPS due to the initial public offering ("IPO"), which will entail the new issuance of 42,666,667 ordinary shares of RM1.00 each in AirAsia X to AirAsia.

The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the share capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all of its RCPS into ordinary shares of RM1.00 each in the share capital of the Company upon receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

On 10 May 2013, AirAsia converted all of its outstanding 42,666,667 RCPS of RM1.00 each in the Company, on a one-to-one basis, into 42,666,667 new ordinary shares of RM1.00 each in the Company, without consideration, as disclosed in Note 12.25(g) of this Report.

(b) Share Subdivision

AirAsia X will undertake a subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company ("Shares").

On 13 May 2013, AirAsia X completed the subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company, as disclosed in Note 12.25(h) of this Report.

(c) Increase in Authorised Share Capital

AirAsia X will undertake to increase its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares.

On 13 May 2013, AirAsia X increased its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 Shares, as disclosed in Note 12.25(h) of this Report.

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

2.0 General Information (continued)

2.3 Details of the Listing Scheme (continued)

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme: (continued)

(d) Initial Public Offering ("IPO")

(i) Public Issue

Public issue of 592,592,600 new ordinary shares of RM0.15 each in AirAsia X ("Issue Shares"), representing approximately 25.0% of the enlarged issued and paid up share capital of AirAsia X, at the issue price, payable in full upon application.

(ii) Offer for Sale

Offer for Sale by the existing ordinary shareholders to the public of up to 197,530,900 existing ordinary shares of RM0.15 each in AirAsia X ("Offer Shares"), representing approximately 8.3% of the enlarged issued and paid-up share capital of AirAsia X, at the issue price.

The Offer for Sale is not expected to have any effects on the issued and paid-up share capital of the Company as the Offer Shares were already in existence prior to the IPO.

Collectively, the Issue Shares and Offer Shares are referred to as IPO Shares.

The price payable by the institutional investors will be determined by way of book building and the final price payable by the retail investors will be equal to the final price payable by the institutional investors, subject that it will not exceed the retail price nor be lower than the par value of the shares.

(e) Employees' Share Option Scheme ("ESOS")

In conjunction with the Listing, AirAsia X has implemented an Employees' Share Option Scheme ("ESOS") which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of AirAsia X at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for another five (5) years, subject to a maximum duration of ten (10) years.

Prior to the Listing, the Board of Directors of AirAsia X proposes to grant up to 9,850,000 ESOS Options to eligible employees of AirAsia X ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws. The ESOS Options under the Initial Grant will be in respect of 9,850,000 new ordinary shares of RM0.15 each in the Company at an exercise price to be determined.

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

2.0 General Information (continued)

2.3 Details of the Listing Scheme (continued)

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme: (continued)

(f) Shareholders' Benefit Programme

AirAsia X also proposes to implement a Shareholders' Benefit Programme as an incentive programme for its shareholders. The inaugural benefit which will be introduced under the Shareholders' Benefit Programme is applicable to shareholders who have successfully subscribed for, or acquired IPO Shares made available to Malaysian public, and the eligible passengers under the Retail Offering ("Retail Investors"). The Shareholders' Benefit Programme will be effective from the date of the Listing until it is terminated by the Board of Directors of AirAsia X, at its sole discretion. The entitlements of the Retail Investors under the inaugural benefit are segregated into two categories:

Category A

All Retail Investors who successfully subscribe for, or acquire 10,000 IPO Shares up to 99,999 IPO Shares at Listing and who continue to hold a minimum of 10,000 IPO Shares ("Category A Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category A Eligible Shareholders"), will be entitled to receive and use one zero fare return air ticket to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

Category B

All Retail Investors who successfully subscribe for, or acquire 100,000 IPO Shares or more at Listing, and who continue to hold a minimum of 100,000 IPO Shares ("Category B Qualifying Shareholding") for the duration of any of the periods of time mentioned below, except for its shareholders prior to the IPO and those who are directors and employees of AirAsia Group ("Category B Eligible Shareholders"), will be entitled to receive and use 3 zero fare return air tickets to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods which is within 12 months from the respective entitlement dates, as follows:

(i) At least 1 year (365 days) from the date of the Listing;
(ii) 2 consecutive years (730 days) from the date of the Listing; and
(iii) 3 consecutive years (1,095 days) from the date of the Listing.

(collectively referred to as the "Inaugural Benefit")

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2.0 General Information (continued)

2.3 Details of the Listing Scheme (continued)

In conjunction with, and as an integral part of the listing of AirAsia X on the Main Market of Bursa Securities, the Company is undertaking the following listing scheme: (continued)

(f) Shareholders' Benefit Programme (continued)

The Category A Eligible Shareholders and Category B Eligible Shareholders are collectively referred to as the "Eligible Shareholders".

AirAsia Group is defined as AirAsia, its subsidiaries, joint venture companies and associate companies and other companies using the "AirAsia" brand name, taken as a whole (including AirAsia X).

(g) Listing

Upon completion of all of the above, AirAsia X shall seek the listing of its entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities ("the Listing").

2.4 Share capital

Details of the authorised, and issued and paid up share capital of AirAsia X since its incorporation are as follows:

Authorised share capital

Date of creation	Par value	Number of ordinary shares	Number of redeemable convertible preference shares ("RCPS")	Cumulative authorised share capital
	RM			RM
19 May 2006	1.00	100,000	-	100,000
10 October 2006	1.00	4,900,000	-	5,000,000
10 April 2007	1.00	75,000,000	-	80,000,000
25 July 2007	1.00	90,000,000	-	170,000,000
12 September 2007	1.00	-	30,000,000	200,000,000
11 May 2010	1.00	100,000,000	-	300,000,000
11 May 2010	1.00	-	20,000,000	320,000,000
13 May 2013	1.00	-	(50,000,000)	270,000,000
		270,000,000	-	
Subdivision - 13 May 2013	0.15	1,800,000,000	-	270,000,000
13 May 2013	0.15	1,533,333,333	-	500,000,000
		3,333,333,333	-	

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2.0 General Information (continued)

2.4 Share capital (continued)

Details of the authorised, and issued and paid up share capital of AirAsia X since its incorporation are as follows (continued):

Issued and paid-up share capital

Date of allotment	Par value RM	Number of ordinary shares	Number of RCPS	Consideration RM	Cumulative issued and paid-up share capital RM
19 May 2006	1.00	2	-	2	2
18 July 2006	1.00	1	-	1	3
10 October 2006	1.00	499,997	-	499,997	500,000
7 November 2006	1.00	1,500,000	-	1,500,000	2,000,000
25 July 2007	1.00	78,000,000	-	78,000,000	80,000,000
15 August 2007	1.00	20,000,000	-	20,000,000	100,000,000
29 October 2007	1.00	6,666,667	-	6,666,667	106,666,667
29 October 2007	1.00	-	26,666,667	26,666,667	133,333,334
14 December 2007	1.00	33,333,334	-	249,165,000	166,666,668
27 May 2010	1.00	58,000,000	-	58,000,000	224,666,668
11 June 2010	1.00	10,000,000	-	10,000,000	234,666,668
3 July 2010	1.00	4,707,200	-	4,707,200	239,373,868
7 July 2010	1.00	11,292,800	-	11,292,800	250,666,668
9 July 2010	1.00	-	16,000,000	16,000,000	266,666,668
10 May 2013	1.00	42,666,667	(42,666,667)	-	266,666,668
		266,666,668	-	482,498,334	
Subdivision					
13 May 2013	0.15	1,777,777,787	-	482,498,334	266,666,668

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2.0 General Information (continued)

2.5 Subsidiaries

The subsidiaries of AirAsia X are as follows:

Companies	Principal activities	Effective ownership 31.12.2010 %	31.12.2011 %	31.12.2012 %
AirAsia X Services Pty Ltd (Incorporated in Australia)	Provision of management logistical and marketing services	100	100	100
AirAsia X NZ Ltd (Incorporated in New Zealand)	Provision of management logistical and marketing services	-	100	100
AAX Capital Ltd (Incorporated in the Federal Territory of Labuan)	Dormant	100	100	100
AAX Leasing I Limited (Incorporated in the Federal Territory of Labuan)	Engine leasing	-	100	100

3.0 Auditors and Audited Financial Statements

3.1 Auditors

We are the auditors of AirAsia X Group for the financial years included in this Report, other than for the following entities:

Entity names	Auditors
AirAsia X Services Pty Ltd	KPMG Australia Certified Public Accountants, Australia Level 11, Corporate Centre One Cnr Bundall Road & Slatyer Avenue Bundall QLD 4217
AirAsia X NZ Ltd	KPMG New Zealand Certified Public Accountants, New Zealand 62 Worcester Boulevard PO Box 1739 Christchurch 8140

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3.0 Auditors and Audited Financial Statements (continued)

3.2 Audited financial statements

We have audited the financial statements of AirAsia X Group, which comprise the balance sheets as at 31 December 2010, 31 December 2011 and 31 December 2012, and the statements of income, comprehensive income, changes in equity and cash flows of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012. In our audit reports of these financial statements, we expressed the opinion that the respective consolidated financial statements have been properly drawn up in accordance with:

(i) Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of the financial position of AirAsia X Group as at 31 December 2010 and its financial performance and cash flows for the financial year ended 31 December 2010; and

(ii) Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of AirAsia X Group as at 31 December 2011 and 31 December 2012, and its financial performance and cash flows for the financial years ended 31 December 2011 and 31 December 2012.

This Report was prepared using the audited financial statements of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, which included the restatements for the financial years ended 31 December 2010 and 31 December 2011, as disclosed in the audited financial statements for the financial year ended 31 December 2012 and the 6 months ended 30 June 2012.

We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 respectively.

The auditors' reports on the consolidated financial statements of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 were not subject to any modification.

No audited financial statements have been prepared in respect of any financial period subsequent to 31 December 2012.

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4.0 Consolidated Income Statements of AirAsia X Group

	Note	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Revenue	12.1	1,289,102	1,862,381	1,967,427
Operating expenses:				
- Staff costs	12.2	(125,234)	(158,418)	(180,498)
- Depreciation of property, plant and equipment		(101,791)	(104,837)	(107,097)
- Aircraft fuel expenses		(597,875)	(1,018,428)	(925,294)
- Maintenance, overhaul, user charges and other related expenses		(229,190)	(306,157)	(381,545)
- Aircraft operating lease expenses		(74,320)	(145,803)	(152,408)
- Other operating expenses	12.3	(192,832)	(203,129)	(178,598)
Other income	12.4	39,338	14,282	6,981
Operating profit/(loss)		7,198	(60,109)	48,968
Finance income	12.5	2,143	6,002	1,876
Finance costs	12.5	(55,073)	(52,245)	(56,438)
Net foreign exchange gains/(losses) on borrowings	12.5	143,687	(25,082)	43,599
Profit/(loss) before taxation		97,955	(131,434)	38,005
Taxation				
- Current taxation	12.6	(641)	(1,556)	900
- Deferred taxation	12.6	49,288	36,361	(5,055)
		48,647	34,805	(4,155)
Net profit/(loss) for the financial year		146,602	(96,629)	33,850
Basic earnings/(loss) per share attributable to ordinary equity holders of the Company (sen)	12.22	62.2	(36.2)	12.7
Diluted earnings/(loss) per share attributable to ordinary equity holders of the Company (sen)	12.22	62.2	(36.2)	12.7

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5.0 Consolidated Statements of Comprehensive Income of AirAsia X Group

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Net profit/(loss) for the financial year	146,602	(96,629)	33,850
Other comprehensive income/(loss), net of tax			
- Foreign currency translation differences	4	(69)	(1)
Total comprehensive income/(loss) for the financial year	146,606	(96,698)	33,849
Total comprehensive income/(loss) attributable to:			
- Equity holders of the Company	146,606	(96,698)	33,849
- Non-controlling interests	-	-	-
	146,606	(96,698)	33,849

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6.0 Consolidated Balance Sheets of AirAsia X Group

	Note	31.12.2010* (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	12.7	1,508,440	1,421,501	1,325,822
Deferred tax assets	12.8	203,534	239,895	234,840
Deposits on aircraft purchases	12.10	244,775	369,251	418,395
Other deposits	12.11	27,300	125,286	126,058
		1,984,049	2,155,933	2,105,115
CURRENT ASSETS				
Inventories	12.12	524	891	806
Receivables and prepayments	12.13	99,174	119,751	130,786
Amounts due from related parties	12.14	45,032	10,814	15,738
Deposits, cash and bank balances	12.15	356,236	113,980	173,951
Tax recoverable		-	59	1,711
		500,966	245,495	322,992
LESS: CURRENT LIABILITIES				
Trade and other payables	12.16	111,131	158,633	254,004
Amounts due to related parties	12.14	-	-	5,929
Sales in advance		506,483	417,087	195,188
Borrowings	12.17	125,535	253,551	521,045
Current taxation liabilities		570	280	-
		743,719	829,551	976,166
NET CURRENT LIABILITIES		(242,753)	(584,056)	(653,174)

* Also represents the consolidated balance sheet (and the related disclosure notes) of the Group as at 1 January 2011, which is the MFRS transition date.

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6.0 Consolidated Balance Sheets of AirAsia X Group (continued)

	Note	31.12.2010* (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
NON-CURRENT LIABILITY				
Borrowings	12.17	1,097,717	1,024,996	871,211
		643,579	546,881	580,730
CAPITAL AND RESERVES				
Share capital	12.18	266,667	266,667	266,667
Share premium		215,832	215,832	215,832
Retained earnings		161,076	64,447	98,297
Currency translation reserve		4	(65)	(66)
SHAREHOLDERS' EQUITY		643,579	546,881	580,730

* Also represents the consolidated balance sheet (and the related disclosure notes) of the Group as at 1 January 2011, which is the MFRS transition date.

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7.0 Consolidated Statements of Changes in Equity of AirAsia X Group

		Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each					
	Note	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2010		140,000	140,000	26,667	26,667	215,832	-	14,474	396,973
Net profit for the financial year (as restated)		-	-	-	-	-	-	146,602	146,602
Other comprehensive income		-	-	-	-	-	4	-	4
Total comprehensive income (as restated)		-	-	-	-	-	4	146,602	146,606
Issuance of shares	12.18	84,000	84,000	16,000	16,000	-	-	-	100,000
At 31 December 2010		224,000	224,000	42,667	42,667	215,832	4	161,076	643,579

* RCPS - Redeemable Convertible Preference Shares

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7.0 Consolidated Statements of Changes in Equity of AirAsia X Group (continued)

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each					
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2011	224,000	224,000	42,667	42,667	215,832	4	161,076	643,579
Net loss for the financial year (as restated)	-	-	-	-	-	-	(96,629)	(96,629)
Other comprehensive loss	-	-	-	-	-	(69)	-	(69)
Total comprehensive loss (as restated)	-	-	-	-	-	(69)	(96,629)	(96,698)
At 31 December 2011	224,000	224,000	42,667	42,667	215,832	(65)	64,447	546,881

* RCPS - Redeemable Convertible Preference Shares

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7.0 Consolidated Statements of Changes in Equity of AirAsia X Group (continued)

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each					
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2012	224,000	224,000	42,667	42,667	215,832	(65)	64,447	546,881
Net profit for the financial year	-	-	-	-	-	-	33,850	33,850
Other comprehensive loss	-	-	-	-	-	(1)	-	(1)
Total comprehensive (loss)/income	-	-	-	-	-	(1)	33,850	33,849
At 31 December 2012	224,000	224,000	42,667	42,667	215,832	(66)	98,297	580,730

* RCPS - Redeemable Convertible Preference Shares

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8.0 Consolidated Statements of Cash Flows of AirAsia X Group

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation	97,955	(131,434)	38,005
Adjustments:			
Property, plant and equipment:			
- Depreciation	101,791	104,837	107,097
- Gain on disposal	(27,004)	(8,236)	(1,148)
- Write-off	-	-	23
Impairment on receivables	-	421	1,545
Interest expense	55,073	52,245	56,438
Interest income	(2,143)	(4,640)	(1,064)
Fair value gain on derivative financial instruments	(307)	-	-
Interest income on deposits for leased aircraft	-	(1,362)	(812)
Unrealised foreign exchange (gain)/loss	(94,875)	30,295	(38,812)
	130,490	42,126	161,272
Changes in working capital:			
Inventories	286	(367)	85
Receivables, prepayments and other deposits	(23,338)	(118,286)	(15,520)
Amounts due from/(to) related parties	(42,864)	33,736	1,532
Trade and other payables	(6,334)	43,629	93,579
Sales in advance	227,851	(89,396)	(221,899)
Cash generated from/(used in) operations	286,091	(88,558)	19,049
Interest paid	(60,718)	(51,723)	(56,170)
Interest received	2,680	5,077	957
Tax paid	(301)	(1,905)	(1,032)
Net cash generated from/(used in) operating activities	227,752	(137,109)	(37,196)

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8.0 Consolidated Statements of Cash Flows of AirAsia X Group (continued)

	Note	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment:				
- Additions		(655,330)	(17,898)	(37,289)
- Proceeds from disposal		580,901	8,236	26,996
Deposits on aircraft purchase		175,844	(119,511)	(49,700)
Net cash generated from/(used in) investing activities		101,415	(129,173)	(59,993)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	12.18	100,000	-	-
Proceeds from borrowings		635,144	177,307	355,313
Repayments of borrowings		(776,708)	(151,425)	(201,062)
(Placement)/release of restricted cash		(7,413)	7,413	-
Net cash (used in)/generated from financing activities		(48,977)	33,295	154,251
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR		280,190	(232,987)	57,062
CURRENCY TRANSLATION DIFFERENCES		4,648	(1,856)	2,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		63,985	348,823	113,980
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	12.15	348,823	113,980	173,951

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9.0 Financial Risk Management Policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing their market risk (including fuel price risk, interest rate risk and foreign currency exchange risk), credit risk and liquidity risk, and cash flow risk. The Group operates within defined guidelines that are approved and reviewed periodically by the Board of Directors to minimise the effects of such volatility on its financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Risk management policies and procedures are reviewed regularly to reflect changes in the market conditions and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency exchange, credit, liquidity and cash flow risks.

The policies in respect of the major areas of treasury activities are as follows:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign currency exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

(i) Fuel price risk

The Group is exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group relies on a related party for certain treasury activities, including hedging of fuel price, which is contracted and managed by the related party. Any gain or loss arising from fuel hedging is recognised when the risk transfers to the Group upon consumption of the fuel, within "Aircraft fuel expenses" in Operating Expenses.

During the financial year ended 31 December 2012, the Group entered into Brent fixed swap and Singapore Jet Kerosene fixed swap. There are no outstanding number of barrels of Brent and Singapore Jet Kerosene derivative contracts as at 31 December 2012 (2011 and 2010: Nil).

As at 31 December 2012, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the net profit/(loss) for the financial year would have been RM26.8 million (2011: RM29.9 million) higher/lower.

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9.0 **Financial Risk Management Policies (continued)**

(a) Market risk (continued)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

As at 31 December 2012, if interest rate on USD denominated borrowings had been 60 basis points higher/lower with all other variables held constant, the impact on the net profit/(loss) for the financial year would have been RM4.4 million (2011: RM4.7 million) higher/lower.

(iii) Foreign currency exchange risk

Apart from Ringgit Malaysia ("RM"), the Group transacts business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), New Zealand Dollar ("NZD") and Pound Sterling ("GBP"). In addition, the Group has significant borrowings in USD, mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's firm order of 15 Airbus A330-300 aircraft (Note 12.17). Therefore, the Group is exposed to foreign currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible by intragroup arrangements and settlements.

As at 31 December 2012, if RM had weakened/strengthened by 5% against USD with all other variables held constant, net profit/(loss) for the financial year would have been RM43.2 million (2011: RM50.7 million; 2010: RM67.4 million) lower/higher, mainly as a result of foreign currency exchange losses/gains on translation of USD denominated receivables and borrowings (term loans and revolving credit). The exposure to other foreign currency of the Group is not material and hence, sensitivity analysis is not presented.

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9.0 Financial Risk Management Policies (continued)

(a) Market risk (continued)

(iii) Foreign currency exchange risk (continued)

At 31 December 2010

	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	NZD RM'000	GBP RM'000	Others RM'000
Financial assets							
Receivables	58,091	9,095	9	3,675	677	-	188
Amounts due from related parties	21,390	(499)	-	-	-	-	387
Deposits, cash and bank balances	40,791	108,948	113	-	-	1,536	2,719
Other deposits *	27,300	-	-	-	-	-	-
	147,572	117,544	122	3,675	677	1,536	3,294
Financial liabilities							
Trade and other payables	34,501	18,736	9,398	-	-	6,811	13,773
Borrowings	1,223,252	-	-	-	-	-	-
	1,257,753	18,736	9,398	-	-	6,811	13,773
Net exposure	(1,110,181)	98,808	(9,276)	3,675	677	(5,275)	(10,479)

* Include currency exposure for other deposits that are financial assets only.

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9.0 Financial Risk Management Policies (continued)

(a) Market risk (continued)

(iii) Foreign currency exchange risk (continued)

At 31 December 2011	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	NZD RM'000	GBP RM'000	Others RM'000
Financial assets							
Receivables	34,166	11,885	2,757	3,811	2,727	-	2,548
Amounts due from related parties	139	(36,647)	-	-	-	293	549
Deposits, cash and bank balances	10,035	10,719	2,198	-	2,126	6,451	4,315
Other deposits *	25,144	-	-	-	-	-	-
	69,484	(14,043)	4,955	3,811	4,853	6,744	7,412
Financial liabilities							
Trade and other payables	34,491	27,245	14,511	-	868	9,029	16,058
Borrowings	1,187,234	-	-	-	-	-	-
	1,221,725	27,245	14,511	-	868	9,029	16,058
Net exposure	(1,152,241)	(41,288)	(9,556)	3,811	3,985	(2,285)	(8,646)

* Include currency exposure for other deposits that are financial assets only.

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9.0 Financial Risk Management Policies (continued)

(a) Market risk (continued)

(iii) Foreign currency exchange risk (continued)

At 31 December 2012	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	NZD RM'000	GBP RM'000	Others RM'000
Financial assets							
Receivables	75,333	8,636	666	1,547	94	-	2,717
Amounts due from related parties	25	(6,679)	-	-	-	-	-
Deposits, cash and bank balances	43,247	62,128	662	-	723	722	14,394
Other deposits *	33,739	-	-	-	-	-	-
	152,344	64,085	1,328	1,547	817	722	17,111
Financial liabilities							
Trade and other payables	68,496	45,676	7,335	-	3	735	31,549
Amounts due to related parties	1,262	-	-	-	-	-	-
Borrowings	1,082,947	-	-	-	-	-	-
	1,152,705	45,676	7,335	-	3	735	31,549
Net exposure	(1,000,361)	18,409	(6,007)	1,547	814	(13)	(14,438)

* Include currency exposure for other deposits that are financial assets only.

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9.0 Financial Risk Management Policies (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet it's contractual obligations and arises principally from the Group's receivables from customers, cash and cash equivalents and financial assets (derivative instruments).

The Group's exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances, and receivables. As the Group does not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the balance sheets. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures.

Credit risk relating to receivables is minimised by regular monitoring and, in addition, credit risk is controlled as the majority of the Group's deposits and bank balances are placed with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of the government.

The Group has no concentration of credit risk arising from trade receivables.

(c) Liquidity and cash flow risk

The Group's policy on liquidity risk management is to maintain sufficient cash and cash equivalents and to have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

Whilst the Group's current liabilities exceeded its current assets by RM653,174,000 as at 31 December 2012, the Directors are of the view that no material uncertainty related to these conditions exists that may cast significant doubt on the Group's ability to continue as a going concern. The Directors believe that the Group is able to realise its assets and discharge its liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. In addition, the Group has access to unutilised revolving credit facilities of RM75.9 million as at 31 December 2012 (2011:RM63.8 million; 2010:RM185.6 million).

As disclosed in Note 12.25(a) of this Report, the Company had on 29 October 2012 submitted the exposure draft of its prospectus in relation to the initial public offering ("IPO") of its shares in conjunction with the listing of and quotation for the entire ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. The proposed listing was approved by the Securities Commission on 7 May 2013. The IPO exercise is anticipated to be completed within the financial year ending 31 December 2013. Proceeds receivable from the public issue of new shares is expected to be utilised for capital expenditure, repayment of bank borrowings and general working capital of the Company.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

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9.0 Financial Risk Management Policies (continued)

(c) Liquidity and cash flow risk (continued)

The amounts disclosed in the table below are the contractual undiscounted cash flows.

At 31 December 2010	Under 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
Term loans	145,685	141,383	397,248	615,230	1,299,546
Revolving credit	3,877	108,298	-	-	112,175
Syndicated loan	28,636	26,992	19,505	-	75,133
Trade and other payables	111,131	-	-	-	111,131
	289,329	276,673	416,753	615,230	1,597,985

At 31 December 2011	Under 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
Term loans	145,124	140,438	394,274	504,558	1,184,394
Revolving credit	129,690	100,371	47,137	-	277,198
Commodity Murabahah Term Financing	32,207	21,655	-	-	53,862
Trade and other payables	158,633	-	-	-	158,633
	465,654	262,464	441,411	504,558	1,674,087

At 31 December 2012	Under 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
Term loans	135,561	257,958	240,561	368,824	1,002,904
Time loan	49,146	-	-	-	49,146
Revolving credit	376,281	96,757	42,599	-	515,637
Commodity Murabahah Term Financing	22,010	-	-	-	22,010
Trade and other payables	254,004	-	-	-	254,004
Amounts due to related parties and subsidiaries	5,929	-	-	-	5,929
	842,931	354,715	283,160	368,824	1,849,630

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9.0 Financial Risk Management Policies (continued)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt. The Group's overall strategy in respect of the capital structure remains unchanged from the previous financial year.

The Group monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total shareholders' equity. Total debts are defined as total borrowings (including "short term and long term borrowings" as shown in the balance sheets).

The gearing ratio as at the balance sheet date is as follows:

	2010 RM'000	2011 RM'000	2012 RM'000
Total borrowings (a)	1,223,252	1,278,547	1,392,256
Total equity attributable to equity holders of the Company (b)	643,579	546,881	580,730
Gearing ratio (a)/(b)	1.9	2.3	2.4

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010, except that the Group did not meet certain financial ratio covenants for two borrowing facilities totalling RM148 million as at 31 December 2012. As the loan facilities are already repayable on demand, the carrying values of both loans were classified as short term borrowings under current liabilities at that date. The respective lenders had granted an indulgence to the Group from having to comply with the financial covenant ratios until 30 June 2013. The Group's overall strategy for capital risk management remains unchanged.

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9.0 Financial Risk Management Policies (continued)

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, trade and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The Group does not have any financial assets or financial liabilities measured at fair values as at 31 December 2010, 31 December 2011 and 31 December 2012.

10.0 Summary of Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements unless otherwise stated.

Basis of preparation of the financial statements

This Report was prepared using the audited financial statements of AirAsia X Group for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, which included the restatements for the financial years ended 31 December 2010 and 31 December 2011, as disclosed in the audited financial statements for the financial year ended 31 December 2012 and the 6 months ended 30 June 2012.

The financial statements of the Group for the financial year ended 31 December 2010 was prepared in accordance with Financial Reporting Standards ('FRSs'), the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The financial statements of the Group for the financial years ended 31 December 2011 and 31 December 2012 were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 1965 in Malaysia.

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10.0 Summary of Significant Accounting Policies (continued)

Basis of preparation of the financial statements (continued)

The financial statements of the Group for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'. The Group has consistently applied the same accounting policies in their opening MFRS balance sheet as at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Save for the required presentation of a balance sheet and related notes as of the date of transition on 1 January 2011, there is no other significant impact on the Group's financial results and position, or changes to the accounting policies of the Group arising from the adoption of this MFRS Framework.

The financial statements had been prepared under the historical cost convention except as disclosed in the significant accounting policies below.

The preparation of financial statements in conformity with FRS and MFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements are disclosed in Note 11 of this Report.

At 31 December 2010, the Group had net current liabilities of RM242,753,000.

The Group made a net loss of RM96,629,000 for the financial year ended 31 December 2011 and had net current liabilities of RM584,056,000 at that date.

At 31 December 2012, the Group had net current liabilities of RM653,174,000.

The Directors are of the view that no material uncertainty related to these conditions exists that may cast significant doubt on the Group's ability to continue as a going concern. The Directors believe that the Group is able to realise its assets and discharge its liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. In addition, the Group has access to unutilised revolving credit facilities of RM75.9 million as at 31 December 2012 (31.12.2011:RM63.8 million; 31.12.2010:RM185.6 million).

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10.0 Summary of Significant Accounting Policies (continued)

Basis of preparation of the financial statements (continued)

As disclosed in Note 12.25(a) of this Report, AirAsia X had on 29 October 2012 submitted the exposure draft of its prospectus in relation to the initial public offering ("IPO") of its shares in conjunction with the listing of and quotation for the entire ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. The proposed listing was approved by the Securities Commission on 7 May 2013. The IPO exercise is anticipated to be completed within financial year ending 31 December 2013. Proceeds receivable from the public issue of new shares is expected to be utilised for capital expenditure, repayment of bank borrowings and general working capital of the Group.

10.1 Financial year ended 31 December 2010

Standards, amendments to published standards and interpretations that were effective

The new accounting standards, amendments and improvements to published standards and interpretations that were effective for the Group's financial year beginning on or after 1 January 2010 are as follows:

- FRS 4 "Insurance Contract"
- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customer Loyalty Programmes"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"
- Improvements to FRSs (2009)

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10.0 Summary of Significant Accounting Policies (continued)

10.1 Financial year ended 31 December 2010 (continued)

The adoption of the following FRSs, amendments and interpretations did not have any effect on the financial performance or financial position of the Group except for those discussed below:

(i) Revised FRS 101 "Presentation of Financial Statements"

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statements of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group had elected to present the statement of comprehensive income in two statements. As a result, the Group had presented all owner changes in equity in the consolidated statement of changes in equity whilst all non-owner changes in equity had been presented in the consolidated statements of comprehensive income. There was no impact on the earnings per share since these changes affect only the presentation of items of income and expenses.

(ii) FRS 7 "Financial Instruments: Disclosures"

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 "Financial Instruments: Disclosure and Presentation". FRS 7 introduces new disclosures to improve the information about financial instruments. It required the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's financial statements for the financial year ended 31 December 2010. As the adoption of this new accounting standard only results in additional disclosures, there was no impact on earnings per share.

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10.0 Summary of Significant Accounting Policies (continued)

10.1 Financial year ended 31 December 2010 (continued)

The adoption of the following FRSs, amendments and interpretations did not have any effect on the financial performance or financial position of the Group except for those discussed below: (continued)

(iii) FRS 139 "Financial Instruments: Recognition and Measurement"

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions.

The adoption of FRS 139 had resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Comparatives for financial instruments for the financial year ended 31 December 2009 were not adjusted and therefore the corresponding balances are not comparable. Significant changes in accounting policies are as follows:

(i) Derivatives

Prior to 1 January 2010, derivative financial instruments were not recognised in the financial statements on inception. With the adoption of FRS 139, derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured at their fair values.

The Group applied the new policy according to the transitional provisions by recognising and measuring derivatives, as appropriate, and recording any adjustments to the previous carrying amounts to the opening retained earnings or, if appropriate, another category of equity, of the current financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

(ii) Loans and receivables

Non-current receivables, previously measured at invoiced amount and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the income statements. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statements.

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10.0 Summary of Significant Accounting Policies (continued)

10.1 Financial year ended 31 December 2010 (continued)

The adoption of the following FRSs, amendments and interpretations did not have any effect on the financial performance or financial position of the Group except for those discussed below: (continued)

(iii) FRS 139 "Financial Instruments: Recognition and Measurement" (continued)

(ii) Loans and receivables (continued)

Prior to 1 January 2010, the Group also stated its other non-current financial liabilities at undiscounted amount payable. With the adoption of FRS 139, these financial liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

In accordance with the transitional provisions for the first time adoption of FRS 139, the above changes in accounting policy have been accounted for prospectively and the comparatives as at 31 December 2009 were not restated.

10.2 Financial year ended 31 December 2011

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations to existing standards that were effective for the Group's financial year beginning on or after 1 January 2011 are as follows:

- FRS 1 (revised) "First-time Adoption of Financial Reporting Standards" and the related Amendments
- FRS 3 (revised) "Business Combinations"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- Amendments to FRS 2 "Share-based Payment - Group Cash-settled Share-based Payment Transactions"
- Amendments to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendments to FRS 132 "Financial Instruments: Presentation – Classification of Rights Issues"
- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"
- Improvements to FRSs (2010)

The adoption of the above FRSs, amendments to FRSs and IC Interpretations did not have any material effect on the financial statements of the Group, other than enhanced disclosures in relation to Amendments to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments".

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10.0 Summary of Significant Accounting Policies (continued)

10.3 Financial year ended 31 December 2012

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to standards and interpretations in the following periods:

Financial year beginning on or after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

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10.0 Summary of Significant Accounting Policies (continued)

10.3 Financial year ended 31 December 2012 (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following periods (continued):

Financial year beginning on or after 1 January 2013 (continued)

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left out after the control provisions of MFRS 127 have been included in the new MFRS 10.

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in other comprehensive income ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

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10.0 Summary of Significant Accounting Policies (continued)

10.3 Financial year ended 31 December 2012 (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

The Group will apply the new standards, amendments to standards and interpretations in the following periods (continued):

Financial year beginning on or after 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Financial year beginning on or after 1 January 2015

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Group is in the process of making an assessment of the impact of the adoption of these standards, amendments to published standards and interpretations to existing standards.

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10.0 Summary of Significant Accounting Policies (continued)

10.4 Basis of consolidation

Subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary which is recognised in profit or loss attributable to the parent.

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10.0 Summary of Significant Accounting Policies (continued)

10.4 Basis of consolidation (continued)

Change in accounting policy

The Group changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business Combinations" and FRS 127 "Consolidated and Separate Financial Statements" on 1 January 2011.

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group applied the new policies prospectively to transactions occurring on or after 1 January 2011. However, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Previously, the Group stopped attributing losses to the non-controlling interest where the losses exceeded the carrying amount of the non-controlling interest. The Group has applied this policy prospectively. On the date of adoption of the new policy, the non-controlling interest reflects its previous carrying amount (that is, zero).

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10.0 Summary of Significant Accounting Policies (continued)

10.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over the following estimated useful lives:

Aircraft:	
- engines	4 or 25 years
- airframe	6, 12 or 25 years
- service potential	6 or 10 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years

Assets not yet in operation are stated at cost and not depreciated until the assets are ready for their intended use. Useful lives of assets are reviewed and adjusted if appropriate, at the balance sheet date.

Residual values, where applicable, are reviewed annually against prevailing market values at the balance sheet date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. As at 31 December 2012, the estimated residual value for aircraft airframe and engines is 10% of their cost (31.12.2011 and 31.12.2010: 10% of their cost).

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential reflecting the maintenance condition of its engines and airframe. This cost, which can equate to a substantial element of the total aircraft cost, is amortised over the shorter of the period to the next check or the remaining life of the aircraft.

The costs of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

Deposits on aircraft purchases are included as part of the cost of the aircraft and are depreciated from the date that the aircraft is ready for its intended use.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 10.6 on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing net proceeds with carrying amounts and are included in the income statements.

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10.0 Summary of Significant Accounting Policies (continued)

10.6 Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss arising is charged to the income statements. Any subsequent increase in recoverable amount is recognised in the income statements.

10.7 Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy for property, plant and equipment (see Note 10.5)

Leased aircraft

Where the Group has a commitment to maintain aircraft held under operating leases, a provision is made during the lease term for the rectification obligations contained within the lease agreements. The provisions are based on estimated future costs of major airframe, certain engine maintenance checks and one-off costs incurred at the end of the lease by making appropriate charges to the income statements calculated by reference to the number of hours or cycles operated during the financial year.

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10.0 Summary of Significant Accounting Policies (continued)

10.8 Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the commencement dates of the respective leases based on the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates as stated in Note 10.5 above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statements on a straight-line basis over the lease period.

Assets leased out by the Group under operating leases are included in property, plant and equipment in the balance sheets. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

10.9 Inventories

Inventories comprising spares, consumables and in-flight merchandise, are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis, and comprises the purchase price and incidental costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

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10.0 Summary of Significant Accounting Policies (continued)

10.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are reclassified to the income statements in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statements within 'finance cost'.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

The Group has applied the policy according to the transitional provisions of FRS 139 in the financial year ended 31 December 2010 by recognising and measuring derivatives, where applicable, and recording any adjustments to the previous carrying amounts to the opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparatives for financial instruments for the financial year ended 31 December 2009 have not been adjusted and therefore the corresponding balances are not comparable.

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10.0 Summary of Significant Accounting Policies (continued)

10.11 Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Financial year ended 31 December 2010 onwards

Upon adoption of FRS 139: "Financial Instruments 'Recognition and Measurement" with effect from 1 January 2010, trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less allowance for impairment.

10.12 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and other short-term, highly liquid investments with original maturities of three months and net of bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

10.13 Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends are recognised as a liability in the period in which they are declared. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.

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10.0 Summary of Significant Accounting Policies (continued)

10.14 Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. The finance costs, which represent the difference between the net proceeds and the total amount of the payments of these borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

Financial year ended 31 December 2011 onwards

Borrowings are initially recognised at fair value, net of transaction costs incurred. The finance costs, which represent the difference between the initial recognised amount and the redemption value, are recognised in the financial statements over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the construction or development of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the assets for their intended use or sale, and include those costs on borrowings acquired specifically for the construction or development of property, plant and equipment, as well as those in relation to general borrowings used to finance the construction or development of property, plant and equipment.

Interests, dividends, losses and gains relating to a financial instrument, or a component part classified as a liability, are reported within finance cost in the income statements.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

10.15 Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised for the carry forward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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10.0 Summary of Significant Accounting Policies (continued)

10.16 Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

(ii) Defined contribution plan

The Group's contributions to the Employees' Provident Fund are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

10.17 Revenue recognition

Revenue from scheduled passenger flights is recognised upon the rendering of transportation services and where applicable, net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

Revenue from charter flights is recognised upon the rendering of transportation services.

Fuel surcharge, insurance surcharge, administrative fees, seat fees, change fees, convenience fees, excess baggage and baggage handling fees are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Freight and other related revenue are recognised upon the completion of services rendered and where applicable, net of discounts.

Management fees are recognised on an accrual basis.

Incentives and commission income are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised using the effective interest method.

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10.0 Summary of Significant Accounting Policies (continued)

10.18 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

(iii) Group companies

The results and financial position of all entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

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10.0 Summary of Significant Accounting Policies (continued)

10.19 Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

<u>Financial year ended 31 December 2011 onwards</u>

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137/MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118/MFRS 118 'Revenue'.

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10.0 Summary of Significant Accounting Policies (continued)

10.20 Financial assets

(i) Classification

The Group changed its accounting policy for recognition and measurement of financial assets upon the adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010.

The Group classifies its financial assets in the following categories: as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from related parties' and 'deposits, cash and bank balances' in the balance sheets.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

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10.0 Summary of Significant Accounting Policies (continued)

10.20 Financial assets (continued)

(iii) Subsequent measurement – gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in income statements in the period in which the changes arise.

(iv) Subsequent measurement – Impairment of financial assets

<u>Assets carried at amortised cost</u>

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or

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10.0 Summary of Significant Accounting Policies (continued)

10.20 Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include (continued):

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (a) adverse changes in the payment status of borrowers in the portfolio; and

  (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statements. If 'loans and receivables' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statements.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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10.0 Summary of Significant Accounting Policies (continued)

10.21 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liabilities simultaneously.

10.22 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Financial year ended 31 December 2010 onwards

Upon adoption of FRS 139: "Financial Instruments: Recognition and Measurement" with effect from 1 January 2010, trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

10.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

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11.0 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Estimated useful lives and residual values of aircraft frames and engines

The Group reviews annually the estimated useful lives and residual values of aircraft frames and engines based on factors such as business plan and strategies, expected level of usage, future technological developments and market prices.

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction of 5% in the residual values of aircraft frames and engines as disclosed in Note 10.5, would increase the recorded depreciation for the financial year ended 31 December 2012 by RM2,425,000 (2011: RM2,425,000; 2010: RM1,835,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2012 by RM4,521,000 (2011: RM2,840,000; 2010: RM1,282,000).

(ii) Deferred tax assets

The deferred tax assets are recognised on the basis of the Group's projected future profits, following the withdrawal of certain loss making routes in 2012, as disclosed in Note 12.24(a) of this Report. The deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group

12.1 Revenue

	2010 RM'000	2011 RM'000	2012 RM'000
Scheduled flights	994,070	1,410,379	1,283,577
Refunds	(6,400)	(615)	(1,799)
	987,670	1,409,764	1,281,778
Charter flights	8,648	4,218	67,848
Fuel surcharge	2	44,427	148,226
Freight and cargo	54,966	96,471	79,267
Ancillary revenue	237,668	307,137	363,934
Management fees	148	364	364
Other revenue	-	-	26,010
	1,289,102	1,862,381	1,967,427

Ancillary revenue includes administrative and other fees, seat fees, change fees, convenience fees, excess baggage fees, in flight sales, and other items and services.

Other revenue in 2012 is in respect of passengers on scheduled flights that were subsequently re-accommodated to flights by other airlines.

12.2 Staff costs

	2010 RM'000	2011 RM'000	2012 RM'000
Wages, salaries, bonuses and allowances	118,746	145,240	165,928
Defined contribution retirement plan	6,488	13,178	14,570
	125,234	158,418	180,498

Included in staff costs is Directors' remuneration which is analysed as follows:

	2010 RM'000	2011 RM'000	2012 RM'000
Non-executive Director			
Fees	-	100	120

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.3 Other operating expenses

The following items have been charged/(credited) in arriving at other operating expenses:

	2010 RM'000	2011 RM'000	2012 RM'000
Rental of land and buildings	955	1,983	1,774
Auditors' remuneration:			
- Current year statutory audit	296	304	327
- Non-audit and audit related	-	-	936
- Under accrual in previous year	43	90	-
Rental of equipment	89	202	227
Net foreign exchange (gain)/loss on operations:			
- Realised	(9,558)	(14,299)	7,844
- Unrealised	3,974	(905)	4,639
Sponsorship expenses	9,061	5,537	1,245
Advertising expenses	33,032	60,755	43,262
Credit card charges	24,612	23,649	18,331
In-flight meal expenses	21,262	30,397	17,025
Insurance expenses	12,859	11,884	12,947
Penalty costs on early termination of contract	50,563	-	560
Penalty costs on charter contract	-	-	1,286
Impairment of receivables	-	421	1,545
Property, plant and equipment written-off	-	-	23

12.4 Other income

	2010 RM'000	2011 RM'000	2012 RM'000
Gain on disposal of property, plant and equipment	27,004	8,236	1,148
Commission income from insurance	3,079	2,799	3,492
Others	9,255	3,247	2,341
	39,338	14,282	6,981

Other income ('others') includes incentives received/receivable by the Group from certain airport authorities.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.5 Finance income/(costs)

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Finance income:			
Interest income:			
- Deposits with licensed bank	2,000	4,618	1,064
- Others	143	22	-
	2,143	4,640	1,064
Interest income on deposits for leased aircraft	-	1,362	812
	2,143	6,002	1,876
Finance costs:			
Interest expense on bank borrowings	(54,277)	(51,703)	(54,614)
Bank facilities and other charges	(796)	(542)	(1,824)
	(55,073)	(52,245)	(56,438)
Foreign exchange gains/(losses):			
Unrealised foreign exchange gains/(losses)on:			
- Borrowings	94,205	(29,413)	40,542
- Deposits and bank balances	4,644	(1,787)	2,909
	98,849	(31,200)	43,451
Realised foreign exchange gains on:			
- Borrowings	44,838	-	-
- Upliftment of fixed deposits	-	4,347	148
- Refinancing of loans	-	1,771	-
	44,838	6,118	148
Net foreign exchange gains/(losses)	143,687	(25,082)	43,599

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.6 Taxation

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Current taxation:			
- Malaysian taxation	536	1,161	(863)
- Foreign taxation	105	395	(37)
Deferred taxation	(49,288)	(36,361)	5,055
Total tax (credit)/expense	(48,647)	(34,805)	4,155
Current taxation:			
- Current financial year	641	12,833	319
- Over accrual in prior year	-	(11,277)	(1,219)
Total current tax	641	1,556	(900)
Deferred taxation (Note 12.8):			
- Origination and reversal of temporary differences	(49,288)	(36,361)	5,055
	(48,647)	(34,805)	4,155

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.6 Taxation (continued)

The explanation of the relationship between taxation and profit/(loss) before taxation is as follows:

	2010 (restated) RM'000	2011 (restated) RM'000	2012 RM'000
Profit/(loss) before taxation	97,955	(131,434)	38,005
Tax calculated at Malaysian tax rate of 25% (2011: 25%; 2010: 25%)	24,489	(32,859)	9,501
Tax effects of:			
- Tax incentives*	(66,160)	-	-
- Expenses not deductible for tax purposes	6,373	13,287	5,492
- Income not subject to tax	(35,818)	(3,956)	(9,619)
- Investment allowance clawed back on sale and leaseback of aircraft	22,469	-	-
- Over accrual in prior year	-	(11,277)	(1,219)
Taxation	(48,647)	(34,805)	4,155

* The Ministry of Finance has granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2009 to 31 August 2014, to be set off against 70% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.7 Property, plant and equipment

	At 1 January 2010 RM'000	Additions RM'000	Reclassi-fication RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2010 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	1,466,020	620,349	22	(553,691)	(94,502)	1,438,198
Aircraft spares	34,215	34,030	4,219	-	(6,146)	66,318
Aircraft fixtures and fittings	246	-	(22)	(206)	(18)	-
Motor vehicles	2,223	30	-	-	(523)	1,730
Office equipment, furniture and fittings	1,875	921	-	-	(602)	2,194
Assets not yet in operation	4,219	-	(4,219)	-	-	-
	1,508,798	655,330	-	(553,897)	(101,791)	1,508,440

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2010				
Aircraft engines, airframe and service potential	1,546,325	(79,080)	(29,047)	1,438,198
Aircraft spares	89,438	(12,492)	(10,628)	66,318
Motor vehicles	2,609	(879)	-	1,730
Office equipment, furniture and fittings	4,021	(1,417)	(410)	2,194
	1,642,393	(93,868)	(40,085)	1,508,440

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.7 Property, plant and equipment (continued)

Group	At 1 January 2011 RM'000	Additions RM'000	Depreciation charge RM'000	At 31 December 2011 RM'000
Net book value				
Aircraft engines, airframe and service potential	1,438,198	2,351	(94,669)	1,345,880
Aircraft spares	66,318	14,415	(8,713)	72,020
Motor vehicles	1,730	185	(536)	1,379
Office equipment, furniture and fittings	2,194	947	(919)	2,222
	1,508,440	17,898	(104,837)	1,421,501

At 31 December 2011	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
Aircraft engines, airframe and service potential	1,548,676	(173,749)	(29,047)	1,345,880
Aircraft spares	103,853	(21,205)	(10,628)	72,020
Motor vehicles	2,794	(1,415)	-	1,379
Office equipment, furniture and fittings	4,968	(2,336)	(410)	2,222
	1,660,291	(198,705)	(40,085)	1,421,501

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.7 Property, plant and equipment (continued)

Group	At 1 January 2012 RM'000	Additions RM'000	Written-off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Net book value						
Aircraft engines, airframe and service potential	1,345,880	1,462	-	-	(95,068)	1,252,274
Aircraft spares	72,020	35,470	-	(25,842)	(10,507)	71,141
Motor vehicles	1,379	-	-	-	(554)	825
Office equipment, furniture and fittings	2,222	357	(23)	(6)	(968)	1,582
	1,421,501	37,289	(23)	(25,848)	(107,097)	1,325,822

At 31 December 2012	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
Aircraft engines, airframe and service potential	1,550,138	(268,817)	(29,047)	1,252,274
Aircraft spares	113,481	(31,712)	(10,628)	71,141
Motor vehicles	2,793	(1,968)	-	825
Office equipment, furniture and fittings	5,188	(3,196)	(410)	1,582
	1,671,600	(305,693)	(40,085)	1,325,822

Included in property, plant and equipment of the Group are aircraft pledged as security for borrowings (Note 12.17) with a net book value of RM1,224 million (31.12.2011: RM1,313 million; 31.12.2010: RM1,412 million).

The beneficial ownership and operational control of certain aircraft pledged as security for borrowings rests with the Group when the aircraft is delivered to the Group.

Where the legal title to the aircraft is held by the financiers during delivery, the legal title will be transferred to the Group only upon settlement of the respective facilities.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.8 Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority.

	31.12.2010 (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
Deferred tax assets	203,534	239,895	234,840

The movements in deferred tax assets and liabilities during the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 are as follows:

	31.12.2010 (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
At beginning of financial year	154,246	203,534	239,895
(Charged)/credited to income statements (Note 12.6):			
- Property, plant and equipment	(13,401)	36,471	(7,868)
- Tax incentives	66,160	-	-
- Unrealised foreign exchange differences	-	-	785
- Tax losses	-	-	1,856
- Others	(3,471)	(110)	172
	49,288	36,361	(5,055)
At end of financial year	203,534	239,895	234,840
Deferred tax assets (before offsetting)			
- Tax incentives	184,391	184,391	184,391
- Tax losses	15,433	15,433	17,289
- Property, plant and equipment	3,710	40,181	32,313
- Unrealised foreign exchange differences	-	-	579
- Others	-	96	268
	203,534	240,101	234,840
Offsetting	-	(206)	-
Deferred tax assets (after offsetting)	203,534	239,895	234,840

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.8 Deferred tax assets (continued)

	31.12.2010 (restated) RM'000	31.12.2011 (restated) RM'000	31.12.2012 RM'000
Deferred tax liability (before offsetting)			
Unrealised foreign exchange differences	-	206	-
Offsetting	-	(206)	-
Deferred tax liability (after offsetting)	-	-	-

The deferred tax assets are recognised on the basis of the Group's projected future profits following the withdrawal of certain loss making routes during the financial year ended 31 December 2012 as disclosed in Note 12.24 (a) to this Report. The deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.9 Investments in subsidiaries

The details of the subsidiaries are as follows:-

Name	Country of incorporation	Group's effective equity interest 31.12.2010 %	31.12.2011 %	31.12.2012 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	100	100	100	Provision of management logistical and marketing services
AirAsia X NZ Ltd*	New Zealand	-	100	100	Provision of management logistical and marketing services
AAX Capital Ltd	Malaysia	100	100	100	Dormant
AAX Leasing I Limited	Malaysia	-	100	100	Engine leasing

* Not audited by PricewaterhouseCoopers, Malaysia.

12.10 Deposits on aircraft purchases

The deposits on aircraft purchases are denominated in US Dollar and are in respect of pre-delivery payments on aircraft purchases. Pre-delivery payments constitute instalments made in respect of the price of the aircraft and are deducted from the final price on delivery.

The deposits as at 31 December 2012 are in respect of aircraft purchase which will be delivered between April 2013 to May 2025.

During the financial year ended 31 December 2012, the Group capitalised borrowing costs amounting to RM10,551,000 (2011: RM4,013,000; 2010: RM8,909,064) on qualifying assets. Borrowing costs were capitalised at the rate of 4.62% (2011: 3.54%; 2010: 3.53%) per annum.

12.11 Other deposits

Other deposits include deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft. These deposits are denominated in US Dollar.

12.12 Inventories

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Beverages, consumables and in-flight merchandise	524	891	806

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.13 Receivables and prepayments

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Trade receivables	4,059	25,673	31,091
Other receivables	24,100	26,954	33,935
Prepayments	26,941	37,724	24,255
Deposits	44,074	29,821	42,394
	99,174	120,172	131,675
Less: Impairment of receivables	-	(421)	(889)
	99,174	119,751	130,786

The normal credit terms of the Group range from 15 to 30 days (2011 and 2010: 15 to 30 days).

Trade receivables that are neither past due nor impaired of RM8,477,000 (2011: RM19,226,000; 2010: RM Nil) are substantially companies with good collection track records.

As of 31 December 2012, trade receivables of RM22,418,000 (2011: RM6,263,000; 2010: RM4,059,000) of the Group were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables that are past due but not impaired is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Less than 30 days	57	1,272	3,184
Between 31 and 60 days	1,673	547	5,827
Between 61 and 90 days	2,329	540	10,717
Between 91 and 120 days	-	1,137	207
Between 121 and 180 days	-	2,641	2,241
More than 180 days	-	126	242
	4,059	6,263	22,418

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.13 Receivables and prepayments (continued)

The carrying amounts of trade receivables individually determined to be impaired are as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
More than 180 days	-	184	196
Less: Impairment of receivables	-	(184)	(196)
	-	-	-

Other receivables that are neither past due nor impaired of RM25,454,000 (2011: RM15,618,000; 2010: RM Nil) for the Group are substantially companies with good collection track records.

As at 31 December 2012, other receivables for the Group of RM7,788,000 (2011: RM11,099,000; 2010: RM24,100,000) were past due. These debts relate to a number of external parties where there is no expectation of default. The ageing analysis of these other receivables that are past due but not impaired is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Less than 30 days	10,697	1,736	962
Between 31 and 60 days	890	1,028	1,324
Between 61 and 90 days	942	1,101	1,410
Between 91 and 120 days	8,313	1,041	1,491
Between 121 and 180 days	666	2,714	1,475
More than 180 days	2,592	3,479	1,126
	24,100	11,099	7,788

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.13 Receivables and prepayments (continued)

The carrying amounts of other receivables individually determined to be impaired are as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
More than 180 days	-	237	693
Less: Impairment of receivables	-	(237)	(693)
	-	-	-

The individually impaired trade and other receivables are mainly related to disputed balances with customers or balances for which management is of the view that the amounts may not be recoverable.

The currency profile of receivables and deposits (excluding prepayments) is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	458	23,543	17,166
US Dollar	58,091	34,166	75,333
Australian Dollar	9,135	11,893	9,008
Euro	9	2,757	666
Indian Rupee	3,675	3,811	1,547
New Zealand Dollar	677	3,309	94
Others	188	2,548	2,717
	72,233	82,027	106,531

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.13 Receivables and prepayments (continued)

Deposits of the Group at the balance sheet date are with a number of external parties where there is no expectation of default. Deposits include amounts paid as security deposits for maintenance for certain aircraft.

Other receivables include refunds of value-added tax receivable from the authorities in various countries in which the Group operates.

Prepayments include advances for purchases of fuel and lease of aircraft.

The carrying amounts of the Group's trade and other receivables approximate their fair values.

12.14 Amounts due from/(to) related parties

The amounts due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group range from 15 to 30 days (2011 and 2010: 15 to 30 days).

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Amounts due from related parties	45,032	10,814	15,738
Amounts due to related parties	-	-	(5,929)

The currency profile of amounts due from related parties is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	23,754	46,371	22,359
Australian Dollar	(499)	(36,538)	(6,646)
Taiwan Dollar	384	374	-
Pound Sterling	-	293	-
US Dollar	21,390	139	25
Others	3	175	-
	45,032	10,814	15,738

Amounts due from related parties that are neither past due nor impaired amounted to RM11,173,000 (2011: RM10,087,000, 2010: RM Nil) for the Group.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.14 Amounts due from related parties (continued)

The ageing analysis of amounts due from related parties that are past due but not impaired is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Less than 30 days	34,189	112	3,712
Between 31 and 60 days	2,269	34	-
Between 61 and 90 days	6,066	-	95
Between 91 and 120 days	1,567	-	52
Between 121 and 180 days	82	71	706
Between 181 and 270 days	486	510	-
Between 271 days and 1 year	373	-	-
	45,032	727	4,565

The maximum exposure to credit risk as at the balance sheet date is the carrying value of the amounts due from related parties mentioned above. The Group does not hold any collateral as security.

The Group has not made any impairment on these balances as management is of the view that these amounts are recoverable as there is no history of default.

The carrying amounts of the Group's amounts due to related parties approximate their fair values.

The currency profile of amounts due to related parties is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	-	-	4,667
US Dollar	-	-	1,262
	-	-	5,929

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.15 Deposits, cash and bank balances

For the purpose of statements of cash flows, cash and cash equivalents include the following:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Cash and bank balances	106,434	44,740	113,553
Deposits with licensed banks	249,802	69,240	60,398
	356,236	113,980	173,951
Less: Restricted cash	(7,413)	-	-
Cash and cash equivalents	348,823	113,980	173,951

The currency profile of deposits, cash and bank balances is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	201,867	78,023	51,099
US Dollar	40,791	10,035	43,247
Australian Dollar	109,210	10,814	62,756
Taiwan Dollar	965	1,103	1,294
Pound Sterling	1,536	6,451	722
Chinese Renminbi	711	465	355
Japanese Yen	467	1,801	8,049
Korean Won	339	773	2,675
New Zealand Dollar	-	2,144	1,071
Euro	113	2,198	662
Others	237	173	2,021
	356,236	113,980	173,951

The Group's weighted average effective interest rates of deposits as at the reporting date is 3.06% (2011: 2.75%; 2010: 2.75%) per annum.

Restricted cash was in relation to a Facility Services Reserve Account pledged for the Group's syndicated loan as at 31 December 2010.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.16 Trade and other payables

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Trade payables	52,444	101,679	170,164
Other payables and accruals	58,687	56,954	83,840
	111,131	158,633	254,004

Other payables and accruals include operational expenses payable to airport authorities and passenger service charges.

The credit term of trade payables granted to the Group is 30 days (2011 and 2010: 30 days).

The currency profile of trade and other payables is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	27,268	52,193	98,513
US Dollar	34,501	34,491	68,496
Australian Dollar	19,380	27,560	47,090
Euro	9,398	14,511	7,335
Taiwan Dollar	2,731	3,188	4,982
Pound Sterling	6,811	9,029	735
Japanese Yen	1,414	1,944	14,719
Korean Won	2,207	1,098	4,875
Chinese Renminbi	5,344	6,114	4,624
New Zealand Dollar	-	4,791	286
Others	2,077	3,714	2,349
	111,131	158,633	254,004

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Current:			
Revolving credit (unsecured)	-	120,039	351,705
Term loans (secured)	100,889	103,512	100,027
Time loan (secured)	-	-	48,000
Commodity Murabahah Term Financing (unsecured)	-	30,000	21,313
Syndicated loan (secured)	24,646	-	-
	125,535	253,551	521,045
Non-current:			
Revolving credit (unsecured)	104,595	135,076	131,875
Term loans (secured)	947,013	868,607	739,336
Commodity Murabahah Term Financing (unsecured)	-	21,313	-
Syndicated loan (secured)	46,109	-	-
	1,097,717	1,024,996	871,211
Total borrowings	1,223,252	1,278,547	1,392,256

	Weighted average rate of finance		
	31.12.2010 %	31.12.2011 %	31.12.2012 %
Revolving credit (unsecured)	3.65	4.91	5.23
Term loans (secured)	4.51	4.42	4.45
Time loan (secured)	-	-	4.77
Commodity Murabahah Term Financing (unsecured)	-	6.75	6.75
Syndicated loan (secured)	4.29	-	-

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings (continued)

The Group's borrowings are repayable as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Not later than 1 year	125,535	253,551	521,045
Later than 1 year and not later than 5 years	554,260	570,436	531,982
Later than 5 years	543,457	454,560	339,229
	1,223,252	1,278,547	1,392,256

The currency profile of borrowings is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Ringgit Malaysia	-	91,313	309,309
US Dollar	1,223,252	1,187,234	1,082,947
	1,223,252	1,278,547	1,392,256

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings (continued)

The fair value of the borrowings is as follows:

	Carrying amount			Fair value		
	31.12.2010	31.12.2011	31.12.2012	31.12.2010	31.12.2011	31.12.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	104,595	255,115	483,580	100,911	242,153	472,857
Term loans	1,047,902	972,119	839,363	922,569	827,726	718,207
Time loan	-	-	48,000	-	-	48,000
Syndicated loan	70,755	-	-	67,820	-	-
Commodity Murabahah Term Financing	-	51,313	21,313	-	49,965	21,313
	1,223,252	1,278,547	1,392,256	1,091,300	1,119,844	1,260,377

Revolving credit facilities

The revolving credit facility of RM243,584,000 as at 31 December 2012 (2011: RM215,115,000; 2010: RM104,595,000) is to finance the pre-delivery payments ("PDPs") in respect of the Group's firm order of 15 Airbus A330-300 aircraft, with an option to acquire an additional 10 Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft, and carries interest at 3.00% (2011 and 2010: 3.00%) per annum above the bank's USD cost of funds.

The revolving credit facility of RM40,000,000 as at 31 December 2012 (2011: RM40,000,000, 2010: RM Nil) is to finance the Group's corporate working capital requirements. The tenure of this facility is up to 5 years. This facility carries an interest at cost of funds plus 3.00% (2011: 3.00%, 2010: Nil) per annum.

The revolving credit facility of RM100,000,000 as at 31 December 2012 (2011 and 2010: RM Nil) is to finance the Group's corporate working capital requirements. This facility will mature on 30 June 2013 and carries an interest at cost of funds plus 3.25% (2011 and 2010: Nil) per annum.

The revolving credit facility of RM99,996,000 as at 31 December 2012 (2011 and 2010: RM Nil) is to finance the Group's corporate working capital requirements. This facility will mature in October 2013 and carries an interest at cost of funds plus 1.50% (2011 and 2010: Nil) per annum.

As at 31 December 2012, the Group has access to unutilised revolving credit facilities of RM75.9 million (2011:RM63.8 million; 2010:RM185.6 million).

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings (continued)

Term loans

The term loans are for the purchase of new Airbus A330-300 aircraft.

The repayment of the term loans is on a quarterly basis over 12 years, with equal principal instalments, at fixed interest rates of between 2.82% and 5.45% per annum. The term loans are secured by the following:

(a) Assignment of rights under contract with Airbus SAS over each aircraft;

(b) Assignment of insurance of each aircraft; and

(c) Assignment of airframe and engine warranties of each aircraft.

Time loan

The time loan is to finance the Group's security deposits for aircraft operating leases and general corporate working capital requirements. This facility will mature on 29 September 2013 and carries an interest at cost of funds plus 1.50% (2011 and 2010: Nil) per annum.

Commodity Murabahah Term Financing

This is to re-finance the outstanding balance of up to USD18.75 million (or approximately up to RM 60 million) on an existing USD25 million (or approximately RM80 million) syndicated facility from two lenders (syndicated loan). This facility will mature on 19 September 2013 and carries a profit rate at cost of funds plus 3.25% per annum. The financing facility is secured by the following:

(a) Fixed charge over fixed deposit receipts equivalent to 12 months profit payment or RM4.08 million under the facility, whichever is higher; and

(b) First fixed charge over the Islamic Ringgit Malaysia denominated revenue account of the Company, to be maintained with the bank ("Revenue Account"). The revenue proceeds in the Revenue Account shall be available for withdrawal by the Group, subject to no event of default on the facility.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.17 Borrowings (continued)

Syndicated loan

The syndicated loan was to part finance the purchase of new Airbus A330-300. The repayment of the syndicated loan is on 11 quarterly installments, with equal principal installments, whereby the rate of interest on each loan for each interest period is the annual percentage rate comprising the aggregate of margin and LIBOR. The syndicated loan is secured by the following:

(a) Charge over the Company's collections to the "Collection Account"; and

(b) Transfer from Collection Accounts to a Facility Services Reserve Account ("FSRA") commencing from the loan drawndown date throughout the facility period.

The syndicated loan was fully settled in September 2011.

Note
Collection Account: Bank account which is designated for the purposes of the finance documents.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.18 Share capital

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Authorised:			
Ordinary shares of RM1.00 each:			
At beginning of the financial year	170,000	270,000	270,000
Created during the financial year	100,000	-	-
At end of financial year	270,000	270,000	270,000
Redeemable Convertible Preference Shares ("RCPS") of RM1.00 each:			
At beginning of financial year	30,000	50,000	50,000
Created during the financial year	20,000	-	-
At end of financial year	50,000	50,000	50,000
Total authorised	320,000	320,000	320,000
Issued and fully paid-up:			
Ordinary shares of RM1.00 each:			
At beginning of the financial year	140,000	224,000	224,000
Issued during the financial year	84,000	-	-
At end of financial year	224,000	224,000	224,000
RCPS of RM1.00 each:			
At beginning of the financial year	26,667	42,667	42,667
Issued during the financial year	16,000	-	-
At end of financial year	42,667	42,667	42,667
Total issued and fully paid-up	266,667	266,667	266,667

During the financial year ended 31 December 2010, the Company increased its authorised share capital from RM200,000,000 to RM320,000,000 by way of the creation of 100,000,000 ordinary shares of RM1.00 each and 20,000,000 of RCPS of RM1.00 each. The Company also increased its issued and fully paid up share capital from RM166,666,667 to RM266,666,667 by way of the issuance of 84,000,000 ordinary shares of RM1.00 each for cash at par and 16,000,000 RCPS of RM1.00 each for cash at par.

The new ordinary shares issued during the financial year ended 31 December 2010 ranked pari passu in all material respects with the existing ordinary shares of the Company.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.18 Share capital (continued)

The terms of the RCPS are as follows:

(a) The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all of its RCPS into ordinary shares of RM1.00 each in the capital of the Company upon receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

(b) The RCPS has the same entitlement to dividend and all other forms of distributions out of income of the Company at the same rate as that of ordinary shares.

(c) The RCPS can be redeemed in part or in whole at the Company's option at any time, but only with prior written approval of the holder and redemption can only be effected at par value.

12.19 Commitments

(a) Capital commitments not provided for in the financial statements are as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Aircraft purchases - approved and contracted for:			
- Not later than 1 year	-	1,322,190	2,123,231
- Later than 1 year and not later than 3 years	3,177,655	5,172,134	7,077,438
- Later than 3 years and not later than 5 years	6,298,500	5,818,651	3,538,718
- Later than 5 years	11,723,238	9,447,385	8,504,563
	21,199,393	21,760,360	21,243,950

Included in the amount of capital commitments above as at 31 December 2012 is the purchase of 18 Airbus A330 aircraft and 10 Airbus A350 aircraft (2011: 20 Airbus A330 and 10 Airbus A350 aircraft; 2010: 20 Airbus A330 and 10 Airbus A350 aircraft) over the next 13 years, at a list price of approximately USD6.9 billion (RM21.2 billion) (2011: USD6.9 billion (RM21.8 billion); 2010: USD6.9 billion (RM21.2 billion), less a negotiated discount.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.19 Commitments (continued)

(b) Non-cancellable operating leases

The future minimum lease payments under non-cancellable operating leases in respect of aircraft is as follows:

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Not later than 1 year	153,491	168,342	193,642
Later than 1 year and not later than 3 years	291,631	296,061	551,910
Later than 3 years and not later than 5 years	242,214	176,384	476,365
Later than 5 years	92,582	30,733	1,242,194
	779,918	671,520	2,464,111

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.20 Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on agreed terms and conditions.

Names of Companies	Country of incorporation	Relationship
AirAsia Berhad ("AAB")	Malaysia	Related party (shareholder of the Company, and common Directors and shareholders)
Asian Aviation Centre of Excellence Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
1Malaysia Racing Team Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
Queens Park Rangers Football Club ("QPR")	United Kingdom	Related party (common Directors and shareholders)
Malaysian Airlines System Berhad ("MAS") *	Malaysia	Related party (common Directors and shareholders)
Thai AirAsia Co. Ltd ("TAA")	Thailand	Related party (common Directors and shareholders)
PT Indonesia AirAsia ("IAA")	Indonesia	Related party (common Directors and shareholders)
AirAsia Japan Co.Ltd ("JAA")	Japan	Related party (common Directors and shareholders)
AirAsia Inc ("PAA")	Philippines	Related party (common Directors and shareholders)
Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad)	Malaysia	Related party (common Directors and shareholders)
Tune Box Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
Asian Contact Centres Sdn Bhd	Malaysia	Related party (common Directors and shareholders)
AAE Travel Pte Ltd	Malaysia	Related party (common Directors and shareholders)
AirAsia X Services Pty Ltd	Australia	Subsidiary
AirAsia X NZ Ltd	New Zealand	Subsidiary

* Both Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun were Directors and indirect major shareholders of MAS (via Tune Air Sdn Bhd) at the relevant time when the transaction terms as disclosed in Note 12.20(a)* were agreed upon. They ceased to be Directors and indirect major shareholders of MAS as of April 2012 and May 2012 respectively.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.20 Significant related party transactions (continued)

	Financial years ended		
	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Transactions with related parties			
(a) Recharges			
AirAsia Berhad:			
- Operational services charged by AAB	85,845	35,833	5,461
- Brand license fee charged by AAB	-	19,299	7,749
- Provision of carried passenger services which were procured by AAB	-	-	(8,827)
Queens Park Rangers Football Club			
- Sponsorship expenses	-	989	-
1Malaysia Racing Team Sdn Bhd			
- Sponsorship expenses	-	1,876	-
Malaysia Airlines System Berhad *			
- Re-accommodation and upliftment of flights charged by MAS	-	-	42,413
PT Indonesia AirAsia			
- Operational services charged to IAA	(245)	(364)	(364)
Thai AirAsia Co. Ltd.			
- Operational services charged to TAA	(542)	(363)	(132)
Tune Box Sdn Bhd			
- In-flight entertainment system and software expense	-	-	2,336
Asian Aviation Centre of Excellence Sdn Bhd			
- Net expense on training services	-	1,215	2,778
Asian Contact Centres Sdn Bhd			
- Telecommunication and operational expenses	2,026	9,193	11,189
Tune Insurance Malaysia Berhad ("TIMB")			
- Commission received/receivable on travel insurance for passengers	-	-	(623)
- Premium collected on behalf of TIMB on travel insurance for passengers	-	-	2,491
AirAsia Japan Co. Ltd			
- Operational services charged to JAA	-	-	(316)

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.20 Significant related party transactions (continued)

	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Year end balances with related parties			
(b) Receivables			
1Malaysia Racing Team Sdn Bhd	363	-	-
Thai AirAsia Co. Ltd. (TAA)	802	766	14
PT Indonesia AirAsia (IAA)	8	14	44
AirAsia Berhad	43,859	10,034	15,474
AAE Travel Pte Ltd	-	-	39
AirAsia Japan Co. Ltd (JAA)	-	-	157
AirAsia Inc (PAA)	-	-	10
	45,032	10,814	15,738
(c) Payables			
Asian Aviation Centre of Excellence Sdn Bhd	-	-	1,317
Asian Contact Centres Sdn Bhd	-	-	2,557
Tune Box Sdn Bhd	-	-	186
Tune Insurance Malaysia Berhad	-	-	1,869
	-	-	5,929

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed below.

	Financial years ended		
	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2012 RM'000
Key management compensation:			
- Basic salaries, bonuses and allowances	3,399	3,837	4,810
- Defined contribution plan	386	502	545
	3,785	4,339	5,355

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information

Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions by the Group's Chief Executive Officer ("CEO") who is identified as the chief operating decision maker.

The Group's CEO considers the business from a geographic perspective. The following reportable operating segments have been identified - North Asia, Australia, Middle East, West Asia, Europe, India and New Zealand.

The reportable operating segments derive their revenue primarily from the Group's activities of provision of long haul air transportation services to these locations.

Consistent with information provided to the chief operating decision maker, revenue and certain direct costs (fuel and oil and maintenance, overhaul and user charges) were extracted on actual earned/incurred basis and disclosed accordingly in the operating segment results for the financial years ended 31 December 2011 and 31 December 2012 respectively. All other costs are allocated to the various segments based on "block hours". Block hours are defined as the time between the departure of an aircraft and its destination, as recorded in the aircraft flight log.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows:

31 December 2012	North Asia RM'000	Australia RM'000	Middle East RM'000	West Asia RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
External revenue								
- Scheduled flights	611,891	487,950	53,497	23,236	55,417	17,062	34,524	1,283,577
- Refunds	(377)	(178)	(101)	(2)	(575)	(347)	(219)	(1,799)
	611,514	487,772	53,396	23,234	54,842	16,715	34,305	1,281,778
- Charter flights	1,134	-	66,714	-	-	-	-	67,848
- Fuel surcharge	54,091	82,036	-	-	5,306	2,655	4,138	148,226
- Freight and cargo	47,980	22,985	902	-	5,456	1,273	671	79,267
- Ancillary revenue	162,967	163,464	6,708	2,171	13,689	5,933	9,002	363,934
- Management fees	172	142	16	5	14	5	10	364
- Other revenue	-	-	-	-	24,015	1,995	-	26,010
	877,858	756,399	127,736	25,410	103,322	28,576	48,126	1,967,427
Operating expenses								
- Staff costs	(67,580)	(55,105)	(14,038)	(1,833)	(8,189)	(2,372)	(4,672)	(153,789)
- Fuel and oil	(421,808)	(344,271)	(31,823)	(10,096)	(69,974)	(15,076)	(32,246)	(925,294)
- Maintenance, overhaul and user charges	(124,579)	(98,887)	(10,029)	(3,308)	(13,023)	(1,754)	(7,431)	(259,011)
- Meals and merchandise	(10,215)	(10,003)	(291)	(285)	(1,689)	(474)	(1,159)	(24,116)
- Sales and distribution	(16,229)	(13,123)	(1,586)	(442)	(1,872)	(558)	(1,095)	(34,905)
- Aircraft operating lease expenses	(56,120)	(45,067)	(12,068)	(1,398)	(31,236)	(2,261)	(4,258)	(152,408)
- Ramp and other operating costs	(46,540)	(26,359)	(5,373)	(325)	(40,720)	(6,342)	(1,546)	(127,205)
Gross profit/(loss)	134,787	163,584	52,528	7,723	(63,381)	(261)	(4,281)	290,699
Other operating expenses	(45,180)	(71,546)	(8,724)	(1,183)	(2,516)	(1,835)	(3,650)	(134,634)
EBITDAR	145,727	137,105	55,872	7,938	(34,661)	165	(3,673)	308,473
EBITDA	89,607	92,038	43,804	6,540	(65,897)	(2,096)	(7,931)	156,065

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2012 (continued)	North Asia RM'000	Australia RM'000	Middle East RM'000	West Asia RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
Depreciation of property, plant and equipment	(50,264)	(40,378)	(6,693)	(1,276)	(2,664)	(1,997)	(3,825)	(107,097)
EBIT	39,343	51,660	37,111	5,264	(68,561)	(4,093)	(11,756)	48,968
Interest income	887	744	74	35	77	24	35	1,876
Interest expense and finance charges	(27,376)	(22,349)	(2,544)	(638)	-	(1,062)	(2,469)	(56,438)
Foreign exchange gains	20,034	16,183	2,017	520	2,602	768	1,475	43,599
Profit/(loss) before taxation	32,888	46,238	36,658	5,181	(65,882)	(4,363)	(12,715)	38,005
Taxation								(4,155)
Net profit for the financial year								33,850

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2011	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
External revenue:							
- Scheduled flights	457,109	466,874	53,003	272,527	101,577	59,289	1,410,379
- Refunds	(198)	(178)	(6)	(97)	(121)	(15)	(615)
	456,911	466,696	52,997	272,430	101,456	59,274	1,409,764
- Charter flights	1,702	-	2,516	-	-	-	4,218
- Fuel surcharge	12,240	17,887	-	5,697	6,257	2,346	44,427
- Freight and cargo	42,478	12,255	-	25,255	15,662	821	96,471
- Ancillary revenue	101,098	109,712	1,137	47,951	31,181	16,058	307,137
- Management fees	114	94	18	79	35	24	364
	614,543	606,644	56,668	351,412	154,591	78,523	1,862,381
Operating expenses:							
- Staff costs	(44,807)	(38,105)	(5,782)	(28,825)	(13,598)	(7,856)	(138,973)
- Fuel and oil	(312,673)	(270,842)	(22,849)	(261,032)	(93,379)	(57,653)	(1,018,428)
- Maintenance, overhaul and user charges	(72,935)	(63,980)	(5,401)	(52,330)	(25,183)	(10,824)	(230,653)
- Meals and merchandise	(10,681)	(15,436)	(1)	(7,711)	(3,167)	(2,643)	(39,639)
- Sales and distribution	(12,597)	(10,662)	(1,615)	(8,093)	(3,823)	(2,180)	(38,970)
- Aircraft operating lease expenses	(46,492)	(39,582)	(6,012)	(31,445)	(14,145)	(8,127)	(145,803)
- Ramp and other operating costs	(31,836)	(19,654)	(1,046)	(18,348)	(7,029)	(3,467)	(81,380)
Gross profit/(loss)	82,522	148,383	13,962	(56,372)	(5,733)	(14,227)	168,535
Other operating expenses	(32,224)	(37,194)	(4,010)	(30,454)	(10,237)	(9,688)	(123,807)
EBITDAR	96,790	150,771	15,964	(55,381)	(1,825)	(15,788)	190,531
EBITDA	50,298	111,189	9,952	(86,826)	(15,970)	(23,915)	44,728

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2011 (continued)	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	New Zealand RM'000	Total RM'000
Depreciation of property, plant and equipment	(41,348)	(35,330)	(5,331)	(2,953)	(12,616)	(7,259)	(104,837)
EBIT	8,950	75,859	4,621	(89,779)	(28,586)	(31,174)	(60,109)
Interest income	1,938	1,745	234	1,261	590	234	6,002
Interest expense and finance charges	(21,366)	(18,336)	(2,803)	555	(6,507)	(3,788)	(52,245)
Foreign exchange gains/(losses)							
- unrealised	(9,857)	(5,983)	(1,869)	(6,313)	(3,085)	(4,093)	(31,200)
- realised	4,209	(2,110)	84	1,556	1,063	1,316	6,118
(Loss)/profit before taxation	(16,126)	51,175	267	(92,720)	(36,525)	(37,505)	(131,434)
Taxation							34,805
Net loss for the financial year							(96,629)

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2010	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	Total RM'000
External revenue						
- Scheduled flights	309,030	426,025	26,983	186,558	45,474	994,070
- Refunds	(1,848)	(2,646)	(164)	(1,348)	(394)	(6,400)
	307,182	423,379	26,819	185,210	45,080	987,670
- Charter flights	-	-	8,648	-	-	8,648
- Fuel surcharge	-	-	-	2	-	2
- Freight and cargo	15,873	22,727	1,409	11,577	3,380	54,966
- Ancillary revenue	68,635	98,271	6,092	50,057	14,613	237,668
- Management fees	42	61	4	31	10	148
	391,732	544,438	42,972	246,877	63,083	1,289,102
Operating expenses						
- Staff costs	(32,667)	(46,773)	(2,900)	(23,825)	(6,956)	(113,121)
- Fuel and oil	(172,653)	(247,209)	(15,327)	(125,922)	(36,764)	(597,875)
- Maintenance, overhaul and user charges	(66,186)	(94,765)	(5,875)	(48,271)	(14,093)	(229,190)
- Meals and merchandise	(3,674)	(5,260)	(326)	(2,679)	(782)	(12,721)
- Sales and distribution	(3,611)	(5,171)	(321)	(2,634)	(769)	(12,506)
- Aircraft operating lease expenses	(21,462)	(30,730)	(1,905)	(15,653)	(4,570)	(74,320)
- Ramp and other operating costs	(24,823)	(35,543)	(2,204)	(18,105)	(5,286)	(85,961)
Gross profit/(loss)	66,656	78,987	14,114	9,788	(6,137)	163,408
Other operating expenses	(15,712)	(22,502)	(1,397)	(11,461)	(3,347)	(54,419)
EBITDAR	72,406	87,215	14,622	13,980	(4,914)	183,309
EBITDA	50,944	56,485	12,717	(1,673)	(9,484)	108,989

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.21 Segmental information (continued)

The Group's operations by geographical segments are as follows (continued):

31 December 2010	North Asia RM'000	Australia RM'000	Middle East RM'000	Europe RM'000	India RM'000	Total RM'000
Depreciation of property, plant and equipment	(29,396)	(42,088)	(2,609)	(21,439)	(6,259)	(101,791)
EBIT	21,548	14,397	10,108	(23,112)	(15,743)	7,198
Interest income	619	886	55	451	132	2,143
Interest expense and finance charges	(15,904)	(22,771)	(1,412)	(11,600)	(3,386)	(55,073)
Foreign exchange gain						
- unrealised	28,547	40,872	2,534	20,818	6,078	98,849
- realised	12,949	18,539	1,149	9,444	2,757	44,838
Profit/(loss) before taxation	47,759	51,923	12,434	(3,999)	(10,162)	97,955
Taxation						48,647
Net profit for the financial year						146,602

Note:

EBITDAR – Earnings before interest, taxes, depreciation, amortisation and restructuring or rent costs
EBITDA – Earnings before interest, taxes, depreciation and amortisation
EBIT – Earnings before interest and taxes

All material non-current assets are based in Malaysia at the end of the current and previous financial year end.

The Group has not disclosed information relating to revenue from external customers which are attributed to the country of domicile and which are attributable to all foreign countries in total from which the Group derives revenue. Due to the nature of activities in the Group, the necessary information is not available and the cost to develop it would be excessive.

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12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.22 Earnings/(loss) per share

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the financial year by the weighted average number of ordinary/preference shares in issue during the financial year.

	2010 RM'000	2011 RM'000	2012 RM'000
Net profit/(loss) for the financial year (RM'000)	146,602	(96,629)	33,850
Weighted average number of ordinary/ preference shares in issue ('000)	235,708	266,667	266,667
Earnings/(loss) per share (sen)	62.2	(36.2)	12.7

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share of the Group is similar to the basic earnings/(loss) per share as the Group does not have any potential dilutive ordinary/preference shares in issue.

12.23 Ultimate holding company

The Directors regard Aero Ventures Sdn Bhd, a company incorporated in Malaysia, as the immediate and ultimate holding company.

12.24 Significant events during the financial year ended 31 December 2012 is as follows:

(a) During the financial year, the Board of Directors of the Company decided and announced the withdrawal of routes to five destinations which include Mumbai (ceased in February 2012), New Delhi, Paris and London (ceased in March 2012), and Christchurch (ceased in May 2012). The Board of Directors of the Company also decided and announced the suspension of flights to Tehran with effect from October 2012.

(b) During the financial year, the Company terminated a commitment to purchase two A330-200 aircraft, which were scheduled to be delivered in July 2012 and November 2012 respectively, namely Aircraft No. 9 and No. 10, whereby Airbus has disposed of the aircraft to third parties. There was no penalty levied on the Company arising from the terminations.

pwc

The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.25 Subsequent events

(a) On 29 October 2012, the Company submitted the exposure draft of its prospectus in relation to the initial public offering ("IPO") of its shares in conjunction with the listing of and quotation for the entire ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. The proposed listing was approved by the Securities Commission on 7 May 2013. The IPO exercise is anticipated to be completed within the financial year ending 31 December 2013.

(b) On 12 March 2013, THAI AAX Co., Ltd ("THAI AAX") was incorporated as a limited company in Thailand. The initial share capital of THAI AAX is THB15.00, comprising 3 ordinary shares of THB5.00 each. The Company holds 33.3% of the ordinary shares in THAI AAX, which is currently dormant.

(c) On 16 April 2013, the Company procured the issuance of a standby letter of credit ("SBLC") for up to USD6.0 million (or approximately RM18.2 million) to provide maintenance reserves deposit as required under the finance lease for its acquisition of a new Airbus A330-300 in April 2013. This SBLC is secured by a first fixed charged over credit balances of its account in London maintained with the SBLC provider, where an amount equal to 50% of the facility amount has been deposited.

(d) On 18 April 2013, the Company obtained an additional term loan amounting to USD80.0 million (or RM242.7 million equivalent) to finance the acquisition of an Airbus A330-300. The repayment of this term loan is on a quarterly basis over 10 years, with equal principal instalments, at interest rate of LIBOR + 3.75% per annum. In connection with the USD80.0 million financing, the Company had on 17 April 2013 entered into a USD : RM cross currency interest rate swap with a financial institution in respect of the principal repayment of the USD72.5 million (or approximately RM219.9 million) senior tranche of this loan ("Swap Facility").

Under the Swap Facility, the Company converted the loan whereby:

(i) The USD principal repayment of USD72.5 million throughout the entire tenor of 10 years will be paid in RM at an exchange rate of USD1.00 : RM3.0260; and
(ii) The USD interest of 3-month London Interbank Offered Rate (LIBOR) plus 3.75% will be paid at a RM fixed interest rate of 7.03% per annum for the entire tenor of the loan.

(e) On 22 April 2013, the Company took delivery of an Airbus A330-300 aircraft which was acquired under a finance lease. The acquisition was financed via a term loan as disclosed in Note 12.25(d) of this Report. The aircraft commenced operations on 26 April 2013. On 3 May 2013, the Company also took delivery of another Airbus A330-300 aircraft under operating lease, which is scheduled to commence operations in July 2013.

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The Board of Directors
AirAsia X Berhad
PwC/SN/MC/TCK/sw/0097C
24 May 2013

12.0 Notes to the Consolidated Financial Statements of AirAsia X Group (continued)

12.25 Subsequent events (continued)

(f) In addition to the disclosures in Note 9.0(d) of this Report, on 2 May 2013 and 17 May 2013 respectively, two lenders confirmed that further to the indulgence they had previously granted to the Group for non-compliances with financial ratios as at 31 December 2012, they have also irrevocably waived the right to exercise the remedies they may have as a result of these non-compliances until 31 July 2013.

(g) On 10 May 2013, AirAsia Berhad converted all of its outstanding 42,666,667 RCPS of RM1.00 each in the Company, on a one-to-one basis, into 42,666,667 new ordinary shares of RM1.00 each in the Company, without consideration.

(h) On 13 May 2013, the Company completed the subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company. On that same date, the Company increased its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 shares of RM0.15 each in the Company.

(i) On 10 April 2013, the Company accepted an additional short-term revolving credit facility for up to USD43.2 million (approximately RM131.0 million) to part finance, at an 80% margin of advance, the pre-delivery payments in respect of its firm order of 5 Airbus A330-300 aircraft, which are scheduled to be delivered between August 2014 and May 2016. On 21 May 2013, the Company had drawndown USD12.8 million (approximately RM38.5 million) of this facility. This facility carried interest at 3.25% per annum above the bank's USD cost of funds. The tenure of the facility shall commence from the date of first drawdown and shall expire in June 2016 or upon delivery of the fifth aircraft, whichever is the earlier.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur

14. DIRECTORS' REPORT

Registered Office:
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

Date: 28 MAY 2013

The Shareholders of
AirAsia X Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of AirAsia X Berhad ("**AirAsia X**"), I wish to report after due inquiry by the Board of Directors of AirAsia X that during the period from 31 December 2012 (being the date which the last audited financial statements of AirAsia X and its subsidiaries (collectively, the "**Group**") have been made up to) to the date of this letter (being a date not earlier than 14 days before the issue of this Prospectus), that:

(a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;

(e) there has been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in respect of any borrowings by AirAsia X or any of its subsidiaries; and

(f) there has been, since the last audited financial statements of the Group, no material change in the published reserves or any unusual factor affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors of
AIRASIA X BERHAD

Dato' Fam Lee Ee
Director

AirAsia X Berhad (734161-K)
Lot PT16 Jalan KLIA S7, Southern Support Zone,
Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia
Our Office: +603 8660 4600 Our Fax: +603 8660 4777
airasia.com

15. STATUTORY AND OTHER GENERAL INFORMATION

15.1 Share Capital

15.1.1 Save as disclosed in this Prospectus, no securities will be allotted or issued or offered on the basis of this Prospectus later than 12 months after the date of this issue of this Prospectus.

15.1.2 There is no founder, management or deferred share in our Company. As at the date of this Prospectus, our Company had one class of shares, namely ordinary shares of RM0.15 each, all of which rank *pari passu* with one another.

15.1.3 Save as disclosed in Sections 4.3 and 6.2.2 of this Prospectus, no shares, stocks or debentures of our Group had been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within the 2 years preceding the date of this Prospectus.

15.1.4 Save for the Proposed Initial Grant as disclosed under Section 4.5 of this Prospectus, none of the share capital of our Company or any of our subsidiaries was under option, or agreed conditionally or unconditionally to be put under option as at the LPD.

15.1.5 Save for the Issue Shares reserved for the Eligible Persons as disclosed in Section 4.3.4 of this Prospectus, subject to our Listing and our ESOS as disclosed in Section 4.5 of this Prospectus, there is currently no other scheme involving our employees and Directors in our capital.

15.1.6 Our Company did not have any outstanding convertible debt security as at the date of this Prospectus.

15.1.7 Save as disclosed in Sections 4.3.9 and 15.3 of this Prospectus, there is no other limitation on the right to own securities, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on such securities, which is imposed by Malaysian law or by the constituent documents of our Company.

15.2 Extracts of Our Articles

The following is extracted from our Articles and is qualified in its entirety by the remainder of the provisions of our Articles and by applicable law.

15.2.1 Changes in Capital and Variation of Rights

The provisions of our Articles of Association dealing with changes in capital and variations of rights, which are in accordance with the requirements and no less stringent than required under the law, are as follows:

"13. Variation of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Sections 55 and 65 of the Act and whether or not the Company is being wound up) be varied or abrogated with:

(1) the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class; or

(2) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the issued shares of the class (but so that if at any adjourned meeting of such holders, a quorum is not present, the holders present, shall form a quorum), and any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply.

14. New issue of Securities

All new issues of Securities for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons with such Securities save and except where the Company is specifically exempted from complying with Section 38 of the Central Depositories Act, in which event it shall be so similarly be exempted from compliance with this Article. For this purpose, the Company shall notify the Depository of the names of the allottees or entitled persons and all such particulars as may be required by the Depository to enable the Depository to make the appropriate entries in the Securities Accounts of such allottees or entitled persons. Notwithstanding these Articles, the Company shall comply with the provisions of the Central Depositories Act, the Rules and the Regulations in all matters relating to prescribed Securities. Prior to the initial application for the listing of the ordinary shares in the Company on the Bursa Malaysia, all new ordinary shares in the Company shall be issued as a Non-Deposited Security and the provisions in these Articles relating to Non-Deposited Security shall apply.

15. No deemed variation

Subject to Section 65 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking in any respect *pari passu* with that class.

16. Issue of shares

Subject to the Act, the Listing Requirements and these Articles, any unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Directors who may offer, issue, allot (with or without conferring a right of renunciation), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.

17. Restrictions on issue

Article 16 shall be subject to the following provisions:

(1) the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in or management control of the Company without the prior approval of the Members in general meeting;

(2) no Director shall participate in a share scheme to employees unless the Members in general meeting have approved the specific allotment to such Director;

(3) no shares shall be issued at a discount except in accordance with Section 59 of the Act; and

(4) unless otherwise required under the Act, the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating them.

18. Rights attached to shares

Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or as the Directors (subject to them being duly authorised to do so by an ordinary resolution of the Company) may determine provided that where the capital of the Company consists of shares of different monetary denominations, voting rights shall be determined in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

68. Consolidation, division and cancellation

The Company may by ordinary resolution:

(1) consolidate and divide all or any of its share capital into shares of larger amount;

(2) (subject to Section 62(1) of the Act) subdivide its existing shares or any of them into shares of smaller amount;

(3) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or

(4) subject to these Articles and the Act, convert any class of shares into any other class of shares.

71. Reduction of capital

The Company may by special resolution reduce its share capital and any capital redemption reserve or share premium account in any manner authorised by law.

72. Resolution to increase capital

Without prejudice to the rights attached to any existing shares or class of shares, the Company in general meeting may by ordinary resolution increase its capital by the creation of shares of such nominal amounts, and carrying such rights and restrictions, as the resolution specifies provided that where the capital of the Company consists of shares of different monetary denominations, voting rights (if specified in such resolution) shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable."

15.2.2 Remuneration of Directors

"108. Remuneration

Subject to these Articles, the remuneration of the Directors shall from time to time be determined by the Company in general meeting but:

(1) Directors' fees payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;

(2) salaries payable to Directors holding executive office in the Company may not include a commission on or a percentage of turnover;

(3) all remuneration payable to Directors shall be deemed to accrue from day to day;

(4) fees payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting;

(5) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

109. Expenses

The Directors may be paid all travelling, hotel and other expenses, properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company.

110. Special remuneration

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:

(1) render any special or extra services to the Company; or

(2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover."

15.2.3 Transfer of Securities

"40. Transfer of Securities

Subject to the Act, these Articles, the Central Depositories Act, the Rules and the Regulations, the transfer of any listed Securities or class of listed Securities of the Company which have been deposited with the Depository shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Securities.

41. Execution Requirements

The instrument of transfer lodged with the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the Security until the transferee's name is entered in the Register (or as the case may be, such applicable register required under the Act) as the holder of that Security. Every instrument of transfer of Non-Deposited Securities shall be in writing and shall be left at the Office accompanied by the certificate of the securities to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. All instruments of transfer which shall be registered shall be retained by the Company. Subject to the provisions of the Act, the Company shall provide a book to be called "Register of Transfers" which shall be kept by the Secretary under the control of the Directors and in which shall be entered the particulars of every transfer or transmission of every Non-Deposited Security.

42. Directors' right to decline registration

Subject to Article 40, the Directors may in their absolute discretion and without assigning any reason thereof, decline to register any instrument of transfer of Non-Deposited Securities which are not fully paid and may also refuse to register any transfer of Non-Deposited Securities on which the Company has a lien without assigning any reason for such refusal. The registration of any transfer shall be suspended when the register of depositors is closed under Article 47.

43. Depository's right to refuse transfer

The Depository may, in its absolute discretion, refuse to register any transfer of Deposited Securities that does not comply with the Central Depositories Act, the Rules and the Regulations.

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46. Transfer fully paid Securities

Subject to the Central Depositories Act, the Rules and the Regulations, any Member may transfer all or any of its Deposited Securities by instrument in writing in the form prescribed and approved by Bursa Malaysia and the Registrar (as the case may be). Subject to these Articles, there shall be no restriction on the transfer of fully paid-up Securities, except where required by law and no Securities shall in any circumstances be transferred or transmitted to any infant, bankrupt or person of unsound mind or a person who is insolvent or to a partnership or an unincorporated body. The instruments shall be executed by or on behalf of the transferor and the transferee and the transferor shall remain the holder of the Securities transferred until it is entered in the Register and/or the Record of Depositors as the case may be. All transfers of Deposited Securities shall be effected in accordance with the Act, the Central Depositories Act, the Rules and the Regulations.

47. Closure of register

The Register and the Record of Depositors shall be closed at such time for such periods as the Directors may from time to time determine provided always that the Register or the Record of Depositors shall not be closed for more than thirty (30) days in any year. The Company shall before it closes the Register and the Record of Depositors:

(1) in the case of the Register, give notice of such intended closure in accordance with Section 160 of the Act;

(2) in the case of the Record of Depositors, give notice of such intended closure to Bursa Malaysia at least ten (10) Market Days before the intended date of such closure or such number of Market Days which Bursa Malaysia may stipulate from time to time including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration;

(3) in the case of the Record of Depositors, publish in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper, a notice of such intended closure including the information to be included in the notice referred to in Article 47(2).

The Company shall give written notice in accordance with the Rules and the Regulations to enable the Depository to prepare the appropriate Record of Depositors.

48. Destruction of records

(1) The Company shall be entitled to destroy:

(a) any instrument of transfer which has been registered at any time after six (6) years from the date of its registration;

(b) any dividend mandate or any variation or cancellation of it or any notification of change of address, at any time after two (2) years from the date of the recording;

(c) any certificate of title to any Securities which has been cancelled, at any time after one (1) year from the date of its cancellation;

(d) any other document on the basis of which any entry in the Register is made, at any time after six (6) years from the date such entry in the Register was first made in respect of such document.

(2) Every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document destroyed under Article 48(1) shall be conclusively deemed to have been duly and properly made and that:

(a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;

(b) every share certificate so destroyed was a valid certificate duly and properly cancelled;

(c) every other document destroyed under Article 48(1) was a valid and effective document in accordance with its recorded particulars in the books or records of the Company.

(3) The provisions of Articles 48(1) and (2) shall be subject to the following:

(a) any document may only be destroyed in good faith and without express notice to the Company that the preservation of such document was relevant to any claim;

(b) nothing in such provisions shall be construed to impose on the Company any liability in respect of the destruction of any such document earlier than provided for in Article 48(1) or in any case where the conditions in such Article have not been fulfilled;

(c) references to the destruction of any document include references to its disposal in any manner;

(d) references to documents include (without limitation) any records or copies of documents stored on microfilm, microfiche, any electronic database or any other system of data recording and storage.

49. No liability of Directors etc.

Subject to the Act, every entry in the Register, purporting to have been made on the basis of an instrument of transfer or other document in good faith by the Company shall be conclusively deemed to have been duly and properly made including (without limitation) where:

(1) the instrument of transfer or other document is obtained or created fraudulently or is otherwise void, voidable or otherwise unenforceable;

(2) the Company or any of its Directors or officers may have notice that such instrument of transfer was signed, executed and/or delivered by the transferor or other authorised person in blank as to the name of the transferee or the particulars of the Securities transferred or otherwise made defectively;

and any person who becomes the registered holder of any Securities by reason of any such entry shall be entitled to be recognised as the registered holder of such Securities, and the Company, its Directors and/or other officers shall not be liable to any person by reason of any such entry being made.

50. No liability of the Company and Directors

Neither the Company nor any of its Directors shall be liable for any transfer of Securities effected by the Depository.

53. Transmission of Securities

(1) Where:

(a) the Securities of the Company are listed on another exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities;

the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange ('Foreign Register'), to the register of holders maintained by the Share Registrar in Malaysia ('Malaysian Register') and vice versa provided that there shall be no change in the ownership of such Securities.

55. Entitlement to a security in consequence of the death, bankruptcy or mental disorder of a Member and rights to a person entitled

The entitlement of a person becoming entitled to a Security in consequence of the death, bankruptcy or mental disorder of a Member to elect either to have his name entered as the holder of such Security in the Record of Depositors or to have the name of some person nominated by him entered in the Record of Depositors as a holder of such Securities shall be subject to and in accordance with the Rules and the Regulations or as the Depository may determine. A person becoming entitled to a Security by reason of the death, bankruptcy or mental disorder of the holder or by operation of law shall, subject to and in accordance with the Rules, the Regulations or as the Depository may determine, be entitled to the rights to which he would be entitled as the holder of the Security."

15.2.4 Voting and Borrowing Powers of Directors

"116. General power

Subject to the Act and these Articles, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of these Articles shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made. The powers given by this Article shall not be limited by any special power given to the Directors by these Articles and a meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

123. General borrowing powers

Except as provided by Article 124, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other Securities, whether as primary or collateral security for any debt, liability or obligation of the Company or any other party.

124. Restrictions on borrowing

The Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

125. Register of charges

The Company shall keep a 'register of charges' in accordance with Section 115 of the Act. No fee shall be charged for any inspection of such register by a Member or a creditor of the Company.

141. Disclosure of interests

(1) Subject to the Act, and provided that he has disclosed to the board of Directors the nature and extent of any material interest of his, a Director notwithstanding his office:

(a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

(b) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

(c) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate (unless the Company by ordinary resolution determines otherwise) and no transaction or arrangement shall be liable to be avoided (whether or not such ordinary resolution is passed) on the ground of any such interest or benefit;

(d) may act by himself or his firm in a professional capacity for the Company, and he or his firm (as the case may be) shall be entitled to remuneration for professional service but nothing in these Articles shall authorise a Director or his firm to act as auditor of the Company.

(2) For the purposes of this Article:

(a) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of person is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and

(b) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

142. Right to regulate proceedings

Subject to these Articles, the Directors may regulate their proceedings as they think fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall (subject to Article 145) have a second or casting vote.

145. Where no casting vote

When two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote in the question at issue shall not have a casting vote.

148. Proceedings at Committee Meetings

A Committee may meet and adjourn its meetings as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present.

150. Acts valid through defect

All acts done by a meeting of Directors, or of a committee of Directors, or by a person acting as a Director shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any Director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

152. Directors' resolution in writing

A resolution in writing signed by a majority of the Directors entitled to receive notice of a meeting of Directors or of a committee of Directors shall be as valid and effectual as if it had been passed at a meeting of Directors or a committee of Directors (as the case may be) duly convened and held and may consist of several documents in the like form each signed by one (1) or more Directors; but a resolution signed by an alternate Director need not also be signed by his appointor and, if it is signed by a Director who has appointed an alternate Director it need not be signed by the alternate Director in that capacity. A signed Directors' Circular Resolution transmitted by facsimile (fax) or any other electronic means shall be deemed to be an original.

153. Disqualification from voting

Except as otherwise provided by these Articles, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one (1) or more of the following paragraphs:

(1) any arrangement for giving him any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its Subsidiaries;

(2) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its Subsidiaries for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security;

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

154. Separation of Resolutions

Where proposals are under consideration concerning or relating to the terms of employment, consultancy or other services of or to be provided by Directors to or with the Company or any body corporate in which the Company is interested or other related matters, the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own.

155. Questions on right to vote

If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive."

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15.3 Limitation on the Right to Hold Securities and/or Exercise Voting Rights

Save as disclosed below, there is no limitation on the right to own securities, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise their voting rights on our securities, which is imposed by Malaysian law or by the constituent documents of our Company.

15.3.1 Disenfranchisement of voting rights when the Deposited Securities held by a Foreigner exceeding the Prescribed Limit

In accordance with our Article 44, where a foreigner holds deposited securities in a securities account and such deposited securities raise the ownership of shares in our Company by foreigners beyond the aggregate limit of forty five per cent (45%) of the total issued and paid up share capital of our Company ("**Prescribed Limit**"), such foreigner, in respect of such deposited securities, shall have no voting rights in respect of such deposited securities and only be entitled to such other rights, benefits, powers and privileges as may be determined by our Board from time to time pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 ("**Regulations**") and such determination shall for avoidance of doubt take precedence over all rights, benefits, powers and privileges that would otherwise accrue to the foreigner whether pursuant to our Articles or otherwise.

Our Company shall make public announcements at such intervals as our Company deems fit or as may be required by the relevant authorities of the percentage of the then issued ordinary share capital of our Company which in our opinion is owned by foreigners and whenever such percentage reaches the Prescribed Limit, our Company may make a public announcement to that effect.

15.3.2 Rights of a Depositor to present and vote at the General Meeting

Pursuant to Article 76, our Company shall request Bursa Depository in writing to issue a record of depositors to whom notices of general meetings shall be given by our Company. Our Company shall also request Bursa Depository in writing to issue a record of depositors, as at the latest date which is reasonably practicable and which shall in any event be not less than three (3) clear Market Days before the general meeting ("**General Meeting Record of Depositors**").

Subject to the Regulations (where applicable) and notwithstanding any provisions in the Companies Act 1965, the General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of the shares of our Company eligible to be present and vote at such meetings. A depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

15.3.3 Right to vote of an unsound mind

In accordance with Article 97, a member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney.

Evidence to our Directors' satisfaction of the person claiming to exercise the right to vote shall be deposited at our registered office, at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised. If this is not done, the right to vote shall not be exercisable.

15.3.4 No right to vote unless calls paid

According to Article 98, no member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in our Company, either in person or by proxy or attorney, in respect of any share held by him unless all calls and other moneys presently payable by him in respect of that share have been paid.

15.3.5 Restriction on objections

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. As provided in Article 99, any objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

15.4 Deposited Securities and Rights of Depositors

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our share registrar will be required to transfer the Shares to the Minister of Finance, and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.5 General

15.5.1 Save as disclosed in Section 4.11 of this Prospectus, no commissions, discounts, brokerages or other special terms had been paid or were payable by our Group within the 2 years immediately preceding the LPD for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any share in or debenture of our Group and in connection with the issue or sale of any capital of our Group and no Director or promoter or expert is or are entitled to receive any such payment or any other benefits.

15.5.2 During the last financial year and the current financial period up to the LPD, there were no:

(i) public take-over offers by third parties in respect of our Company's securities; and

(ii) public take-over offers by our Company in respect of any other company's securities.

15.5.3 Save as disclosed in Section 9.4.1 of this Prospectus, there is no person, so far as known to us, who directly or indirectly, jointly or severally, exercises control over us.

15.6 Material Contracts

Save for the Retail Underwriting Agreement and our lock-up agreement dated 27 May 2013 referred to in Sections 4.11.1 and 4.11.3(i) of this Prospectus, respectively, our Company and our subsidiaries had not entered into any material contract with parties outside of our Group, which is not in the ordinary course of our Group's business during the 2 years preceding the LPD.

15.7 Material Litigation

As at the LPD, neither our Company nor our subsidiaries were involved in any material litigation or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or financial position of our Group, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group.

15.8 Letters of Consent

The written consents of our Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters, the Joint Underwriters, the Co-Lead Managers, the Legal Advisers, the Principal Bankers, the Share Registrar, the Issuing House and our Company Secretaries as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report, and Reporting Accountants' letter on our pro forma consolidated balance sheet as at 31 December 2012 in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of S-A-P for the inclusion of its name, the independent market research report and all references in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

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15.9 Documents Available for Inspection

Copies of the following documents may be inspected at our registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, during normal working hours for a period of 12 months from the date of this Prospectus:

(i) Our Memorandum and Articles;

(ii) Reporting Accountants' letter on the pro forma consolidated balance sheet as included in Section 12.22 of this Prospectus;

(iii) Accountants' Report referred to in Section 13 of this Prospectus;

(iv) Independent market research report prepared by S-A-P and the executive summary thereof as included in Section 8 of this Prospectus;

(v) Directors' Report included in Section 14 of this Prospectus;

(vi) The letters of consent referred to in Section 15.8 of this Prospectus;

(vii) Material contracts, agreements and arrangements referred to in Section 7.9.6 of this Prospectus;

(viii) The service agreements of our Chief Executive Officer and our Director of Operations referred to in Section 9.7 of this Prospectus;

(ix) Audited consolidated financial statements of our Company for the 3 years ended 31 December 2010, 31 December 2011, and 31 December 2012;

(x) Audited financial statements of AirAsia X Services Pty Ltd for the period from 4 January 2010, being the date of incorporation, to 31 December 2010, and the 2 years ended 31 December 2011 and 31 December 2012;

(xi) Audited financial statements of AirAsia X NZ Limited for the period from 1 February 2011, being the date of incorporation, to 31 December 2011, and the year ended 31 December 2012;

(xii) Audited financial statements of AAX Capital Ltd for the period from 21 June 2010, being the date of incorporation, to 31 December 2010, and the 2 years ended 31 December 2011 and 31 December 2012;

(xiii) Audited financial statements of AAX Leasing I Limited for the period from 16 August 2011, being the date of incorporation, to 31 December 2012;

(xiv) The By-Laws as included in Annexure B of this Prospectus;

(xv) The quarterly report for the 3 months ended 31 March 2013 as included in Annexure D of this Prospectus;

(xvi) Retail Underwriting Agreement dated 27 May 2013 between our Company, the Selling Shareholders, the Joint Managing Underwriters and the Joint Underwriters referred to in Section 4.11.1 of this Prospectus; and

(xvii) The lock-up agreement dated 27 May 2013 between our Company and the Joint Global Coordinators and the Joint Bookrunners referred to in Section 4.11.3(i) of this Prospectus.

15.10 Responsibility Statements

Our Directors, the Promoters and the Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

The Principal Adviser acknowledges that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15.11 Additional Information

On 9 August 2011, we had entered into a Collaboration Agreement ("**CA**") with Malaysia Airline System Berhad and AirAsia Berhad (collectively referred to as "**Airlines**") to explore the possibilities of collaboration. On 2 May 2012, we entered into a supplemental agreement with Malaysia Airline System Berhad and AirAsia Berhad to vary the terms and scope of the CA and pursuant to the supplemental agreement, we entered into memoranda of understanding in respect of the following:

(a) to jointly explore the setting-up of a joint-venture company between the Airlines to provide aircraft component maintenance support and repair services; and

(b) to establish a broad set of business principles for the proposed establishment of a special purpose vehicle by the Airlines to improve value for money and increase competitiveness and benefits to customers through procurement synergies.

The memoranda have since expired and no collaboration and/or cooperation was effected nor were any of the proposals above implemented by any of the parties.

However, prior to such expiry, we had, on 22 March 2012 received a request from the Malaysian Competition Commission ("**MyCC**") for information relating to the CA as the MyCC had received enquiries and complaints alleging that the collaboration among the parties infringes the provisions of the Competition Act 2010. We had on 9 April 2012 reverted to the MyCC with the information requested.

On 22 June 2012, the MyCC requested for information relating to our decision to cease services between Kuala Lumpur and London; Paris; Delhi; and Mumbai, to examine concerns raised by consumers on the cessation of the aforementioned services, in order to establish that the collaboration between the Airlines did not harm competition in the market. We had on 9 July 2012 reverted to the MyCC with the information requested.

On 3 May 2013, the MyCC requested additional information on meetings held between the parties to the CA and copies of certain agreements entered into. On 15 May 2013 we responded to the MyCC with the information requested.

Since then, the MyCC had not requested for any additional information or made further enquiries. To the best knowledge of our Board, we are not and have not been formally notified or advised that we are under any investigation, nor have we been charged under or have infringed the Competition Act 2010.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.1 Opening and Closing of Applications

OPENING OF THE RETAIL OFFERING: 10.00 A.M., 10 JUNE 2013

CLOSING OF THE RETAIL OFFERING: 5.00 P.M., 19 JUNE 2013

Our Directors and our Joint Managing Underwriters may decide in their absolute discretion to vary the closing time and date for applications under the Retail Offering to such other date or dates. If they decide to vary the closing date and time for the applications, the Price Determination Date and dates for the balloting and allotment or transfer of the IPO Shares and our Listing may be varied accordingly. Any variation will be announced in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

Late applications will not be accepted.

16.2 Methods of Application and Category of Investors

(i) Application for IPO Shares under the Retail Offering

Applications for the IPO Shares pursuant to the Retail Offering may be made using either of the following:

Type of Application Form	Category of investors
WHITE Application Form or Electronic Share Application[(1)] or Internet Share Application[(2)]	Malaysian public (for individuals)
WHITE Application Form only	Malaysian public (for non-individuals e.g. corporations, institutions, etc.)
PINK Application Form only	(i) Eligible directors, (ii) Eligible employees of our Group and (iii) Eligible persons who have contributed to the success of our Group
BLUE Application Form only	Eligible Passengers (for individuals)

Notes:

(1) The following processing fee per Electronic Share Application will be charged by the respective Participating Financial Institutions:

(i) Affin Bank Berhad – No fee will be charged for application by their account holders;

(ii) AmBank (M) Berhad – RM1.00;

(iii) CIMB Bank Berhad – RM2.50;

(iv) HSBC Bank Malaysia Berhad – RM2.50;

(v) Malayan Banking Berhad – RM1.00;

(vi) Public Bank Berhad – RM2.00;

(vii) RHB Bank Berhad – RM2.50; or

(viii) Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50

(2) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:

(i) Affin Bank Berhad (www.affinOnline.com) – No fees will be charged for application by their account holders;

(ii) CIMB (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;

(iii) CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS accounts held with CIMB and RM2.50 for applicants with CDS accounts with other ADAs;

(iv) Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;

(v) Public Bank Berhad (www.pbebank.com) – RM2.00; and

(vi) RHB Bank Berhad (www.rhb.com.my) – RM2.50.

An (i) eligible director or (ii) eligible employee of our Group or (iii) eligible person who has contributed to the success of our Group who has made an application using a PINK Application Form or an Eligible Passenger who has made an application using a BLUE Application Form may still apply for the IPO Shares offered to the Malaysian public using the WHITE Application Form, Electronic Share Application or Internet Share Application.

However, applicants using the PINK, BLUE and WHITE Application Forms are not allowed to submit multiple applications in the same category of application. Further, applicants who have submitted their applications using WHITE Application Forms are not allowed to make additional applications using the Electronic Share Applications and Internet Share Applications, and vice versa.

(ii) Application by Institutional Investors and Selected Investors under the Institutional Placement

Institutional investors under the Institutional Offering (other than the Bumiputera institutional and selected investors approved by the MITI) will be contacted directly by the Joint Global Coordinators and Joint Bookrunners and should follow the instructions as communicated by the Joint Global Coordinators and Joint Bookrunners. Bumiputera institutional and selected investors approved by the MITI who have been allocated IPO Shares will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

16.3 Procedures for Application and Acceptance

(i) Application by the (i) Eligible Directors, (ii) Eligible Employees of Our Group and (iii) Eligible Persons who have Contributed to the Success of Our Group (PINK Application Form)

The (i) eligible directors, (ii) eligible employees of our Group and (iii) eligible persons who have contributed to the success of our Group will be provided with PINK Application Forms and letters by us detailing their respective allocations. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

(ii) Application by the Eligible Passengers (BLUE Application Form)

Eligibility

You can only apply for the IPO Shares reserved for Eligible Passengers if you fulfill all the following:

(a) You must have a CDS account. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs listed in Section 17 of this Prospectus;

(b) You must be a Malaysian citizen who is at least 18 years old as at the closing date of the Retail Offering with a Malaysian address;

(c) You must not be a director or employee of the Issuing House or their immediate family members;

(d) You must have been a paying passenger of AirAsia X and have flown on an AirAsia X flight within 24 months prior to the date of this Prospectus; and

(e) You must be a BIG Member.

(iii) Application by the Malaysian Public under the Retail Offering (WHITE Application Form, Electronic Share Application or Internet Share Application)

Eligibility

You can only apply for the IPO Shares if you fulfill all the following:

(a) You must have a CDS account. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs listed in Section 17 of this Prospectus;

(b) You must be one of the following:

(1) a Malaysian citizen who is at least 18 years old as at the closing date of the Retail Offering with a Malaysian address; or

(2) a corporation / institution incorporated in Malaysia where there is a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(3) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

We will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations / institutions referred to in (b) (2) or (3) above or the trustees thereof; and

(c) You must not be a director or employee of the Issuing House or their immediate family members.

16.4 Procedures for Application By Way of Application Forms

Each application for the IPO Shares under the Retail Offering must be made on the correct Application Form for the relevant category of investors issued together with this Prospectus and must be completed in accordance with the notes and instructions contained therein in the respective category of the Application Form. The Application Form together with the notes and instructions shall constitute an integral part of this Prospectus. Applications which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or Notes and Instructions or which are illegible may not be accepted at the absolute discretion of our Directors.

Full instructions for the application for the IPO Shares and the procedures to be followed are set out in the Application Forms. All applicants are advised to read the Application Forms and the notes and instructions therein carefully.

Malaysian public should follow the following procedures in making their applications under the Retail Offering.

Step 1: Obtain Application Documents

Obtain the relevant Application Form together with the Official "A" and "B" envelopes and this Prospectus.

The **WHITE** and **BLUE** Application Forms can be obtained subject to availability from the following:

(i) CIMB;

(ii) Participating organisations of Bursa Securities;

(iii) Members of the Association of Banks in Malaysia;

(iv) Members of the Malaysian Investment Banking Association;

(v) Issuing House; and

(vi) Company

Step 2: Read the Prospectus

In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by this Prospectus. You are advised to read and understand the Prospectus before making your application.

Step 3: Complete the Relevant Application Form

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in this Prospectus.

(i) Personal Particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by the Bursa Depository. You are required to inform the Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, the name and national registration identity card ("**NRIC**") numbers must be the same as:

(a) your NRIC;

(b) any valid temporary identity document issued by the National Registration Department from time to time; or

(c) your "Resit Pengenalan Sementara (KPPK 09)" issued pursuant to Peraturan 5(5), Peraturan-Peraturan Pendaftaran Negara 1990.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly as that stated in your authority card.

For corporations / institutions, the name and certificate of incorporation numbers must be the same as that stated in the certificate of incorporation or the certificate of change of name, where applicable.

If you are a non-Malaysian (in the case of PINK Forms), your name and passport number must be exactly as that stated in your passport.

For BIG Members (in the case of BLUE Forms), your name and / or NRIC number must be exactly as that stated under your BIG membership.

(ii) CDS Account Number

You must state your CDS account number in the space provided in the Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.

(iii) Details of Payment

You must state the details of your payment in the appropriate boxes provided in the Application Form.

(iv) Number of IPO Shares Applied

Applications must be for at least 100 IPO Shares or multiples of 100 IPO Shares for applicants using the PINK, BLUE, and WHITE Application Forms.

Step 4: Prepare Appropriate Form of Payment

You must prepare the correct form of payment in RM for the FULL amount payable for the IPO Shares based on the Retail Price, which is RM1.45 per IPO Share.

Payment must be made out in favour of "**MIH Share Issue Account Number 541**" and crossed "**A/C PAYEE ONLY**" (excluding ATM statements) and endorsed on the reverse side with your name and address. Only the following forms of payment will be accepted:

(i) banker's draft or cashier's order purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);

(ii) money order or postal order (for applicants from Sabah and Sarawak only);

(iii) Guaranteed Giro Order ("**GGO**") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or

(iv) ATM statement obtained only from any of the following:

(a) Affin Bank Berhad;
(b) Alliance Bank Malaysia Berhad;
(c) AmBank (M) Berhad;
(d) CIMB Bank Berhad;
(e) Hong Leong Bank Berhad;
(f) Malayan Banking Berhad; or
(g) RHB Bank Berhad.

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment.

Step 5: Finalise Application

Insert the relevant Application Form together with payment and a legible photocopy of your identification document (NRIC / valid temporary identity document issued by the National Registration Department / "Resit Pengenalan Sementara (KPPK 09)" / authority card for armed forces or police personnel / BIG Card / certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable)) into the Official "A" envelope and seal it. You must write your name and address on the outside of the Official "A" and "B" envelopes.

The name and address written must be identical to your name and address as per your NRIC/ valid temporary identity document issued by the National Registration Department / "Resit Pengenalan Sementara (KPPK 09)" / authority card for armed forces or police personnel / certificate of incorporation or the certificate of change of name for corporate or institutional applicant or passport (where applicable).

Affix an 80 sen stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

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Step 6: Submit Application

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

OR

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 19 June 2013, or such later date or dates as our Directors and the Joint Managing Underwriters in their absolute discretion may decide.

16.5 Procedures for Applications By Way of Electronic Share Application

Only Malaysian individuals may apply for our Shares by way of Electronic Share Application in respect of the IPO Shares made available to the Malaysian public.

(i) Steps for Electronic Share Application through a Participating Financial Institution's ATM

(a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for IPO Shares at an ATM belonging to other Participating Financial Institutions;

(b) You must have a CDS account;

(c) You are advised to read and understand the Prospectus before making the application; and

(d) You may apply for the IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 16.5(iii) of the terms and conditions for Electronic Share Application. You are to submit the following information through the ATM, where the instructions on the ATM screen, require you to do so:

(1) Personal Identification Number (PIN);
(2) MIH Share Issue Account Number 541;
(3) CDS account number;

(4) Number of IPO Shares applied for and/or the RM amount to be debited from the account; and
(5) Confirmation of several mandatory statements as set out in Section 16.5(iii) of this Prospectus.

(ii) Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

(a) Affin Bank Berhad;
(b) AmBank (M) Berhad;
(c) CIMB Bank Berhad;
(d) HSBC Bank Malaysia Berhad;
(e) Malayan Banking Berhad;
(f) Public Bank Berhad
(g) RHB Bank Berhad; or
(h) Standard Chartered Bank Malaysia Berhad (at selected branches only).

(iii) Terms and Conditions of Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("**Steps**"), similar to the steps set out in Section 16.5(i) of this Prospectus. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application.

You must have a CDS account to be eligible to use the Electronic Share Application. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

Upon the closing of the Retail Offering on 19 June 2013 at 5.00 p.m. ("**Closing Date and Time**"), the Participating Financial Institutions shall submit a magnetic tape containing their respective customers' applications for the IPO Shares to the Issuing House as soon as practicable but not later than 12.00 p.m. of the second business day after the Closing Date and Time.

You will be allowed to make only one application and shall not make any other application for the IPO Shares under the Retail Offering to the Malaysian public, whether at the ATMs of any Participating Financial Institution or using Internet Share Application or using the WHITE Application Forms.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE ABOVE.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below and in Section 16.7 of this Prospectus:

(a) The Electronic Share Application shall be made in relation to and subject to the terms of this Prospectus and the Memorandum and Articles of Association of our Company.

(b) You are required to confirm the following statements (by pressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given are true and correct:

(1) You have attained 18 years of age as at the Closing Date and Time;

(2) You are a Malaysian citizen residing in Malaysia;

(3) You have read the relevant Prospectus and understood and agreed with the terms and conditions of the application;

(4) This is the only application that you are submitting; and

(5) You hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, you shall be deemed to have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the SICDA to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to the Issuing House, or any relevant regulatory bodies.

(c) You confirm that you are not applying for IPO Shares as a nominee of any other person and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one (1) Electronic Share Application and shall not make any other application for the IPO Shares under the Retail Offering to Malaysian public, whether at the ATMs of any Participating Financial Institution or using Internet Share Application or using the WHITE Application Forms.

(d) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time the Electronic Share Application is made, failing which the Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.

(e) You agree and undertake to purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted to you in respect of the Electronic Share Application. In the event that we decide to allot or allocate a lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If the Electronic Share Application is successful, your confirmation (by your action of pressing the predesignated keys (or buttons) on the ATM keyboard) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted to you and to be bound by the Memorandum and Articles of Association of our Company.

(f) We reserve the right not to accept any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for the IPO Shares.

(g) Where an Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful applications. If your Electronic Share Application is not successful the relevant Participating Financial Institution will credit the full amount of the application monies without interest into your account with that Participating Financial Institution within two Market Days after the receipt of confirmation from the Issuing House. The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two Market Days after the balloting date. You may check your account on the fifth Market Day from the balloting date.

If your Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into your account with the Participating Financial Institution within two Market Days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies without interest will be refunded to applicants by the Issuing House by crediting into your account with the Participating Financial Institution within two Market Days after receipt of confirmation from the Issuing House.

Should you encounter any problems in your application, you may refer to the Participating Financial Institutions.

(h) You request and authorise us:

(1) to credit the IPO Shares allotted to you into your CDS account; and

(2) to issue share certificate(s) representing such shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

(i) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond our control, the Issuing House, Bursa Depository or the Participating Financial Institution and irrevocably agree that if:

(1) our Company or the Issuing House does not receive your Electronic Share Application; and

(2) the data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company or Issuing House,

you shall be deemed not to have made an Electronic Share Application and shall not make any claim whatsoever against our Company, Issuing House or the Participating Financial Institution for the Shares applied for or for any compensation, loss or damage.

(j) All of your particulars in the records of the relevant Participating Financial Institution at the time of making the Electronic Share Application shall be deemed to be true and correct, and our Company, Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.

(k) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment will be sent to your registered address last maintained with Bursa Depository.

(l) By making and completing an Electronic Share Application, you agree that:

(1) in consideration of us agreeing to allow and accept the making of any application for shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

(2) we, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;

(3) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase the IPO Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said IPO Shares;

(4) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the IPO Shares allocated to you; and

(5) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and/or the Electronic Share Application and/or any terms herein, all rights, obligations and liabilities of the parties to the Retail Offering shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(m) If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

(n) The Issuing House, on the authority of our Directors reserves the right to reject applications which do not conform to these instructions.

16.6 Procedures for Applications By Way of Internet Share Applications

Only Malaysian individuals may use the Internet Share Application to apply for the IPO Shares made available to the Malaysian public.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Share Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Share Application.

Internet Participating Financial Institution

Internet Share Applications may be through an internet financial services website of the following Internet Participating Financial Institutions:

(a) Affin Bank Berhad

(b) CIMB Investment Bank Berhad

(c) CIMB Bank Berhad

(d) Malayan Banking Berhad

(e) Public Bank Berhad

(f) RHB Bank Berhad

Step 1: Set Up of Account

Before making an application by way of Internet Share Application, you ***must have all*** *of the following:*

(i) an existing account with access to internet financial services with:-

(a) Affin Bank Berhad at www.affinOnline.com

(b) CIMB Investment Bank Berhad at www.eipocimb.com

(c) CIMB Bank Berhad at www.cimbclicks.com.my

(d) Malayan Banking Berhad at www.maybank2u.com.my

(e) Public Bank Berhad at www.pbebank.com

(f) RHB Bank Berhad at www.rhb.com.my

You need to have your user identification and PIN/password for the internet financial services facility; and

(ii) an individual CDS account registered in your name (and not in a nominee's name) and in the case of a joint account an individual CDS account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS account registered in the joint account holder's name.

Step 2: Read the Prospectus

You are advised to read and understand the Prospectus before making your application.

Step 3: Apply Through Internet

The following steps for an application of the IPO Shares via Internet Share Application have been set out for illustration purposes only.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION MAY DIFFER FROM THE STEPS OUTLINED BELOW.

(i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account;

(ii) Log in to the internet financial services facility by entering your user identification and PIN/password;

(iii) Navigate to the section of the website on applications in respect of IPO;

(iv) Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application;

(v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;

(vi) At the next screen, complete the online application form;

(vii) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form;

(viii) After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:

(a) You are at least 18 years of age as at the Closing Date and Time;

(b) You are a Malaysian citizen residing in Malaysia;

(c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of the Prospectus, the contents of which you have read and understood;

(d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus, before making the Internet Share Application;

(e) The Internet Share Application is the only application that you are submitting for the IPO Shares under the offering to the Malaysian public;

(f) You authorise the financial institution with which you have an account to deduct the full amount payable for the IPO Shares from your account with the said financial institution ("**Authorised Financial Institution**");

(g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the SICDA) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to the Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;

(h) You are not applying for the IPO Shares as a nominee of any other person and the application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

(i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Retail Offering, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the Retail Offering. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services;

(ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment for the Retail Offering;

(x) You must pay for the IPO Shares through the website of the Authorised Financial Institution, failing which the Internet Share Application is **not completed**, despite the display of the Confirmation Screen. "**Confirmation Screen**" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for, which can be printed out by you for record purposes;

(xi) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the IPO Shares is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website; and

(xii) You are advised to print out the Confirmation Screen for reference and retention.

16.7 Terms and Conditions

The terms and conditions outlined below supplement the additional terms and conditions for Internet Share Application contained in the Internet Financial Services website of the Internet Participating Financial Institution. Please refer to the Internet Financial Services website of the Internet Participating Financial Institution for the exact terms and conditions and instructions.

(i) You are required to pay the Retail Price of RM1.45 for each IPO Share applied for.

(ii) You can submit only one (1) application for the IPO Shares offered to the Malaysian public. For example, if you submit an application using a WHITE Application Form, you cannot submit an Electronic Share Application or Internet Share Application and vice versa.

However, if you have made an application using the PINK or BLUE Application Form, you may still apply for the IPO Shares offered to the Malaysian public using the WHITE Application Form, Electronic Share Application or Internet Share Application.

The Issuing House, acting under the authority of our Directors has the discretion to reject applications that appear to be multiple applications under each category of applicants.

We wish to caution you that if you submit more than one (1) application in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1,000,000 and a jail term of up to 10 years under Section 182 of the CMSA.

(iii) Each application under the PINK, BLUE and WHITE Application Forms, Electronic Share Application and Internet Share Application must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

(iv) Each application must be made in connection with and subject to this Prospectus and the Memorandum and Articles of Association of our Company. You agree to be bound by the Memorandum and Articles of Association of our Company should you be allotted any Shares.

(v) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.

(vi) We, or the Issuing House will not issue any acknowledgement of the receipt of your application or application monies.

(vii) You must ensure that your personal particulars submitted in your application and/or your personal particulars as recorded by the Internet Participating Financial Institution are correct and accurate and identical with the records maintained by the Bursa Depository. Otherwise, your application is liable to be rejected. You will have to promptly notify the Bursa Depository of any change in your address failing which the notification letter of successful allocation will be sent to your registered/correspondence addresses last maintained with the Bursa Depository.

(viii) No application shall be deemed to have been accepted by reason of the remittances having been presented for payment.

Our acceptance of your application to subscribe for or purchase the IPO Shares shall be constituted by the issue of notices of allotment for the IPO Shares to the applicants.

(ix) Submission of your CDS account number in your application includes your authority/consent in accordance with Malaysian laws of the right of the Bursa Depository, the Participating Financial Institution and Internet Participating Financial Institution (as the case may be) to disclose information pertaining to your CDS account and other relevant information to us, the Issuing House and any relevant authorities (as the case may be).

(x) **You agree to accept our decision as final should we decide not to allot any IPO Shares to you**.

(xi) Additional terms and conditions for Electronic Share Application are as follows:

(a) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated in the Transaction Record or any lesser amount that may be allotted to you.

(b) Your confirmation by pressing the key or button on the ATM shall be treated as your acceptance of the number of IPO Shares allotted to you.

(c) Should you be allotted any IPO Shares, you shall be bound by the Memorandum and Articles of Association of our Company.

(d) You confirm that you are not applying for IPO Shares as a nominee of other persons and that your Electronic Share Application is made on your own account as a beneficial owner.

(e) You request and authorise us to credit the IPO Shares allotted to you into your CDS account and to issue share certificate(s) representing those Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to the Bursa Depository.

(f) You acknowledge that your application is subject to electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in the control of our Company, the Issuing House, the Participating Financial Institution or the Bursa Depository. You irrevocably agree that you are deemed not to have made an application if we or the Issuing House do not receive your application or your application data is wholly or partially lost, corrupted or inaccessible to us or the Issuing House. You shall not make any claim whatsoever against us, the Issuing House, the Participating Financial Institution or the Bursa Depository.

(g) You irrevocably authorise the Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the transfer of our IPO Shares allotted to you.

(h) You agree that in the event of legal disputes arising from the use of Electronic Share Applications, the mutual rights, obligations and liabilities of the parties to the Retail Offering shall be determined under the laws of Malaysia and be bound by decisions of the Courts of Malaysia.

(xii) Additional terms and conditions for Internet Share Application are as follows:

(a) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the internet financial services website displaying the Confirmation Screen. You are required to complete the Internet Share Application by the close of the Retail Offering mentioned in Section 16.1 of this Prospectus.

(b) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted to you. Your confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as your acceptance of the number of IPO Shares allotted to you.

(c) You request and authorise us to credit the IPO Shares allotted to you into your CDS account and to issue share certificate(s) representing those Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to the Bursa Depository.

(d) You irrevocably agree and acknowledge that the Internet Share Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution. If, in any such event, our Company, the Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against our Company, the Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution.

(e) You irrevocably authorise the Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the transfer of the IPO Shares allotted to you.

(f) You agree that in the event of legal disputes arising from the use of Internet Share Application, the mutual rights, obligations and liabilities of the parties to the Retail Offering shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

(g) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by our Company, the Issuing House and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution.

(h) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.

(i) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. Our Company, the Promoters, the Selling Shareholders, the Joint Managing Underwriters, Joint Underwriters, and Principal Adviser and any other person involved in the Retail Offering shall not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

16.8 Authority of Our Directors and the Issuing House

Applicants will be selected in a manner to be determined by our Directors. Due consideration will be given to the desirability of allotting our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

The Issuing House, on the authority of our Directors, reserves the right to:

(i) reject applications which do not conform to the instructions in this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable) or are illegible, incomplete or inaccurate;

(ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without assigning any reason therefor; and

(iii) bank in all application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded (where applicable) without interest by registered post.

If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Directors are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.9 Over/Under-Subscription

In the event of over-subscription in the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing the IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing an adequate market in the trading of our Shares. Pursuant to the Listing Requirements and as permitted by Bursa Securities via its letter dated 29 May 2013, we need to have a minimum of 25.0% of the Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of this IPO and at the time of Listing. In the event that the above requirement is not met, we may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned in full without interest.

In the event of an under-subscription, subject to the clawback and reallocation as set out in Section 4.3.6 of this Prospectus, all the IPO Shares not applied for under the Retail Offering will be underwritten by the Joint Underwriters.

Where your successfully balloted application under WHITE or BLUE Application Form is subsequently rejected, the full amount of your application monies, will be refunded without interest to you within ten Market Days from the date of the final ballot of the application list to your address registered with the Bursa Depository.

Where your successfully balloted application under Electronic Share Application or Internet Share Application is subsequently rejected, the full amount of your application monies, will be refunded without interest to you by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution respectively.

16.10 Unsuccessful/Partially Successful Applicants

Application monies in respect of the unsuccessful/partially successful applicants will be returned without interest in the following manner.

(i) For Applications by way of Application Forms

(a) The application monies or the balance of it, as the case may be, will be returned to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by registered post to your last address maintained with the Bursa Depository (for partially successful applications) within ten Market Days from the date of the final ballot.

(b) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to your address as stated in the NRIC or "Resit Pengenalan Sementara" (KPPK 09) or any valid temporary identity document issued by the National Registration Department from time to time at your own risk.

(c) The Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded within ten Market Days from the date of the final ballot by registered post to your last address maintained with the Bursa Depository or as per item (ii) above (as the case may be).

(ii) For Applications by way of Electronic Share Application

(a) The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two Market Days after the balloting date. The application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution within two Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the fifth Market Day from the balloting day.

(c) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by crediting into your account with the Participating Financial Institution not later than ten Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will credit the application monies (or any part thereof) into your account without interest within two Market Days after receiving confirmation from the Issuing House.

(iii) For Applications by way of Internet Share Application

(a) The Issuing House shall inform the Internet Participating Financial Institutions of the non-successful or partially successful application within two Market Days after the balloting date. The Internet Participating Financial Institution will arrange with the Authorised Financial Institution to credit the application monies or the balance of it without interest into your account with the Authorised Financial Institution within two Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the fifth Market Day from the balloting day.

(c) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by crediting into your account with the Internet Participating Financial Institution not later than ten Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will credit the application monies (or any part thereof) into your account without interest within two Market Days after receiving confirmation from the Issuing House.

16.11 Successful Applicants

If you are successful in your application:

(i) The IPO Shares allotted to you will be credited into your CDS account. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as the Shares are listed on Bursa Securities.

(ii) A notice of allotment will be despatched to you at the address last maintained with the Bursa Depository, at your own risk, before the Listing. This is your only acknowledgement of acceptance of the application.

(iii) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary post to the address maintained with Bursa Depository for applications made via WHITE and BLUE Application Form or by crediting into your account with the Participating Financial Institution for applications made via the Electronic Share Application or by crediting into your account with the Internet Participating Financial Institution for applications made via the Internet Share Application, within two Market Days after receiving confirmation from the Issuing House.

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16.12 Enquiries

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Forms	Issuing House at telephone no. +603 7841 8000 or +603 7841 8289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your application on the Issuing House's website at www.mih.com.my, or by calling your respective ADA at the telephone number as stated in Section 17 of this Prospectus or the Issuing House at telephone no. +603 7841 8000 or +603 7841 8289 between five to ten Market Days (during office hours only) after the balloting date.

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17. LIST OF AUTHORISED DEPOSITORY AGENTS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

Name	Address and telephone number	Broker code
KUALA LUMPUR		
A.A. ANTHONY SECURITIES SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Telephone no.: +603 6201 1155	078-004
AFFIN INVESTMENT BANK BERHAD	Ground Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no.: +603 2143 8668	028-001
AFFIN INVESTMENT BANK BERHAD	38A & 40A Jalan Midah 1 Taman Midah Cheras 56000 Kuala Lumpur Telephone no.: +603 9130 8803	028-005
ALLIANCE INVESTMENT BANK BERHAD	17th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: +603 2697 6333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2078 2788	086-001
BIMB SECURITIES SDN BHD	32nd Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: +603 2691 8887	024-001
CIMB INVESTMENT BANK BERHAD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2084 9999	065-001
HONG LEONG INVESTMENT BANK BERHAD	Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Telephone no.: +603 2168 1168	066-001

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (cont'd)		
HONG LEONG INVESTMENT BANK BERHAD (Formerly known as MIMB Investment Bank Berhad)	Level 18-21, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Telephone no.: +603 2691 0200	066-006
HWANGDBS INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Telephone no.: +603 7710 6688	068-009
HWANGDBS INVESTMENT BANK BERHAD	7th, 22nd, 23rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Telephone no.: +603 2711 6888	068-014
HWANGDBS INVESTMENT BANK BERHAD	No. 57-10 Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Telephone no.: +603 2287 2273	068-017
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Telephone no.: +603 2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Telephone no.: +603 7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Telephone no.: +603 7981 8811	054-005
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no.: +603 2168 8800	053-001

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (cont'd)		
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2164 9080	073-001
KENANGA INVESTMENT BANK BERHAD	Ground, Mezzanine, 1st & 2nd Floor (West & Center Wing) & First Floor East Wing Bangunan ECM Libra 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2089 1888	073-021
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2178 1133	073-029
M & A SECURITIES SDN BHD	Level 1-3, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone no.: +603 2282 1820	057-002
MAYBANK INVESTMENT BANK BERHAD	5-13 Floor, Maybanlife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Telephone no.: +603 2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Telephone no.: +603 6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	11th & 12th Floor, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2173 8888	026-001
PM SECURITIES SDN BHD	Ground, Mezzanine, 1st & 10th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Telephone no.: +603 2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Telephone no.: +603 2031 3011	051-001

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (cont'd)		
RHB INVESTMENT BANK BERHAD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Telephone no.: +603 9287 3888	087-001
RHB INVESTMENT BANK BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Telephone no.: +603 2333 8333	087-018
RHB INVESTMENT BANK BERHAD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Telephone no.: +603 6257 5869	087-028
RHB INVESTMENT BANK BERHAD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Telephone no.: +603 4280 4798	087-054
RHB INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Telephone no.: +603 9058 7222	087-058
TA SECURITIES HOLDINGS BERHAD	Floor 13-16, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Telephone no.: +603 2072 1277	058-003
SELANGOR DARUL EHSAN		
AFFIN INVESTMENT BANK BERHAD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Telephone no.: +603 3343 9999	028-002
AFFIN INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7729 8016	028-003

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (cont'd)		
AFFIN INVESTMENT BANK BERHAD	1st Floor, 20-22 Jalan 21/22 SEA Park 46300 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7877 6229	028-006
AFFIN INVESTMENT BANK BERHAD	No.79-1 & 79-C Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Telephone no.: +603 3322 1999	028-007
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7710 6613	086-003
CIMB INVESTMENT BANK BERHAD	Level G & Level 1 Tropicana City Office Tower No.3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7717 3388	065-009
HONG LEONG INVESTMENT BANK BERHAD	Level 10 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7724 6888	066-002
HWANGDBS INVESTMENT BANK BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5513 3288	068-002
HWANGDBS INVESTMENT BANK BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 5635 6688	068-010
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Telephone no.: +603 8736 1118	079-001

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (cont'd)		
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7620 1118	079-002
KENANGA INVESTMENT BANK BERHAD	Ground – Fifth floor East Wing, Quattro West No.4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7862 6200	073-005
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8024 1682	073-006
KENANGA INVESTMENT BANK BERHAD	Suite 7.02, Level 7, Menara ING Intan Millenium Square No.68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Telephone no.: +603 3005 7550	073-007
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7725 9095	073-016
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 5621 2118	073-030
KENANGA INVESTMENT BANK BERHAD	35 (Ground & 1st Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Telephone no.: +603 3348 8080	073-035

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (cont'd)		
MALACCA SECURITIES SDN BHD	Subang Jaya Branch No.16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 5636 1533	012-002
MALACCA SECURITIES SDN BHD	SS2 Petaling Jaya Branch No.58A & 60A Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7876 1533	012-003
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Telephone no.: +603 8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Telephone no.: +603 3341 5300	064-007
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7873 6366	087-011
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Telephone no.: +603 8736 3378	087-045
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Telephone no.: +603 6092 8916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Telephone no.: +603 3343 9180	087-048

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (cont'd)		
RHB INVESTMENT BANK BERHAD	Ground Floor and First Floor No. 13 Jalan Kenari 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Telephone no.: +603 8070 6899	087-049
RHB INVESTMENT BANK BERHAD	11-1, Jalan PJU 5/12 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 6148 3361	087-051
RHB INVESTMENT BANK BERHAD	3rd Floor, 1 A-D Jalan USJ 10/1A Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8023 6518	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40000 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5192 0202	096-001
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	Damansara Utama Branch 2nd Floor, Wisma TA No. 1A, Jalan SS 20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7729 5713	058-007
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.: +606 2898 800	065-006

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
MELAKA (cont'd)		
KENANGA INVESTMENT BANK BERHAD	71A & B & 73A & B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2881 720	073-028
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Telephone no.: +606 3372 550	073-034
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Telephone no.: +606 3371 533	012-001
MERCURY SECURITIES SDN BHD	No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2921 898	093-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Telephone no.: +606 2866 008	064-006
RHB INVESTMENT BANK BERHAD	No. 19, 21 & 23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2833 622	087-002
RHB INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Telephone no.: +606 2825 211	087-026
TA SECURITIES HOLDINGS BERHAD	No.59, 59A & 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Telephone no.: +606 2862 618	058-008
PERAK DARUL RIDZUAN		
A.A. ANTHONY SECURITIES SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: +605 621 6010	078-009

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
PERAK DARUL RIDZUAN (cont'd)		
CIMB INVESTMENT BANK BERHAD	Ground, 1st, 2nd and 3rd Floor No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2088 688	065-010
HWANGDBS INVESTMENT BANK BERHAD	Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Telephone no.: +605 8066 688	068-003
HWANGDBS INVESTMENT BANK BERHAD	Ground ,1st & 2nd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2559 988	068-015
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2530 888	066-003
KENANGA INVESTMENT BANK BERHAD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2422 828	073-022
KENANGA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Telephone no.: +605 6222 828	073-026
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 25 & 25A Jalan Jaya2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Telephone no.: +605 6939 828	073-031
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Telephone no.: +605 2419 800	057-001

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
PERAK DARUL RIDZUAN (cont'd)		
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 No.42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2453 400	098-002
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Telephone no.: +605 6236 498	087-014
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Telephone no.: +605 6921 228	087-016
RHB INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Telephone no.: +605 2415 100	087-023
RHB INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Telephone no.: +605 8088 229	087-034
RHB INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Telephone no.: +605 4651 261	087-044
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Telephone no.: +605 7170 888	087-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Telephone no.: +605 2531 313	058-001

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
PULAU PINANG		
A.A. ANTHONY SECURITIES SDN BHD	1st, 2nd & 3rd Floor Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Telephone no.: +604 2299 318	078-002
A.A. ANTHONY SECURITIES SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5541 388	078-003
ALLIANCE INVESTMENT BANK BERHAD	Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No. 25, Lebuh Light 10200 Penang Telephone no.: +604 2611 688	076-015
AMINVESTMENT BANK BERHAD	Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2261 818	086-004
AMINVESTMENT BANK BERHAD	Level 3 No. 15, Lebuh Pantai 10300 Pulau Pinang Telephone no.: +604 2618 688	086-007
CIMB INVESTMENT BANK BERHAD	Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2385 900	065-003
HWANGDBS INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Telephone no.: +604 2636 996	068-001
HWANGDBS INVESTMENT BANK BERHAD	No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5372 882	068-006
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Telephone no.: +604 2690 888	054-002

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
PULAU PINANG (cont'd)		
KENANGA INVESTMENT BANK BERHAD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2106 666	073-013
KENANGA INVESTMENT BANK BERHAD	7th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2283 355	073-023
M & A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Telephone no.: +604 2817 611	057-005
MALACCA SECURITIES SDN BHD	Prima Tanjung Suite 98-3-13A Jalan Fettes 11200 Tanjung Tokong Pulau Pinang Telephone no.: +604 8981 525	012-004
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Telephone no.: +604 3322 123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang Telephone no.: +604 2639 118	093-004
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Telephone no.: +604 2273 000	064-004
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Telephone no.: +604 3900 022	087-005
RHB INVESTMENT BANK BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Telephone no.: +604 5402 888	087-015

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
PULAU PINANG (cont'd)		
RHB INVESTMENT BANK BERHAD	834, Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Telephone no.: +604 5831 888	087-032
RHB INVESTMENT BANK BERHAD	64 & 64-D Tingkat Bawah – Tingkat 3 & Tingkat 5 – Tingkat 8 Lebuh Bishop 10200 Pulau Pinang Telephone no.: +604 2634 222	087-033
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Telephone no.: +604 6404 888	087-042
RHB INVESTMENT BANK BERHAD	41-A, 41-B and 41-C Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang Telephone no.: +604 8352 988	087-056
PERLIS INDRA KAYANGAN		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Telephone no.: +604 9793 888	087-060
KEDAH DARUL AMAN		
A.A. ANTHONY SECURITIES SDN BHD	Lot 4, 5 & 5A 1st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Telephone no.: +604 7322 111	078-007
ALLIANCE INVESTMENT BANK BERHAD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Telephone no.: +604 7317 088	076-004

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
KEDAH DARUL AMAN (cont'd)		
HWANGDBS INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Telephone no.: +604 4256 666	068-011
RHB INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Telephone no.: +604 4204 888	087-017
RHB INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Telephone no.: +604 4964 888	087-019
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Telephone no.: +604 7209 888	087-021
NEGERI SEMBILAN DARUL KHUSUS		
HWANGDBS INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7612 288	068-007
HWANGDBS INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Telephone no.: +606 4553 188	068-013
KENANGA INVESTMENT BANK BERHAD	1C-1 & 1D-1, First Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Telephone no.: +606 7655 998	073-033
PM SECURITIES SDN BHD	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7623 131	064-002

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
NEGERI SEMBILAN DARUL KHUSUS (cont'd)		
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Telephone no.: +606 7641 641	087-024
RHB INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Telephone no.: +606 4421 000	087-037
RHB INVESTMENT BANK BERHAD	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Telephone no.: +606 4553 014	087-040
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½ , Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Telephone no.: +606 6461 234	087-046
JOHOR DARUL TAKZIM		
A.A. ANTHONY SECURITIES SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Telephone no.: +607 3332 000	078-001
A.A. ANTHONY SECURITIES SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Telephone no.: +607 6637 398	078-005
A.A. ANTHONY SECURITIES SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3513 218	078-006

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (cont'd)		
A.A. ANTHONY SECURITIES SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Telephone no.: +607 5121 633	078-008
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Telephone no.: +607 7717 922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4342 282	086-002
AMINVESTMENT BANK BERHAD	18th & 31st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Telephone no.: +607 3343 855	086-006
HONG LEONG INVESTMENT BANK BERHAD (Formerly known as MIMB Investment Bank Berhad)	Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2227 388	066-005
HONG LEONG INVESTMENT BANK BERHAD (Formerly known as MIMB Investment Bank Berhad)	1st Floor, No. 9 Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4313 688	066-004
HWANGDBS INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2222 692	068-004
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Telephone no.: +607 2231 211	054-004

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (cont'd)		
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3333 600	073-004
KENANGA INVESTMENT BANK BERHAD	No. 31 Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Telephone no.: +606 9542 711	073-008
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Telephone no.: +607 9333 515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Telephone no.: +607 7771 161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9782 292	073-011
KENANGA INVESTMENT BANK BERHAD	No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4326 963	073-017
KENANGA INVESTMENT BANK BERHAD	Suite 16-02, 16-03 & 16-03A Level 16 Menara MSC Cyberport No.5 Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Telephone no.: +607 2237 423	073-019
KENANGA INVESTMENT BANK BERHAD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Telephone no.: +606 9532 222	073-024

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (cont'd)		
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Telephone no.: +607 4678 885	073-025
M & A SECURITIES SDN BHD	Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3381 233	057-003
M & A SECURITIES SDN BHD	26, Jalan Indah 16/5 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim Telephone no.: +607 2366 288	057-006
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3316 992	093-005
PM SECURITIES SDN BHD	No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3513 232	064-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4333 608	064-008
RHB INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Telephone no.: +607 2788 821	087-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Telephone no.: +607 4380 288	087-009
RHB INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Telephone no.: +606 9538 262	087-025

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (cont'd)		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Telephone no.: +607 5577 628	087-029
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Telephone no.: +607 9321 543	087-030
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 17, Jalan Manggis 86000 Kluang Johor Darul Takzim Telephone no.: +607 7769 655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Telephone no.: +607 6626 288	087-035
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9787 180	087-038
RHB INVESTMENT BANK BERHAD	1st Floor, No. 2 & 4 Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Telephone no.: +607 9256 881	087-039
RHB INVESTMENT BANK BERHAD	Nos. 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3522 293	087-043

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Telephone no.: +609 5660 800	076-002
CIMB INVESTMENT BANK BERHAD	Ground 1st & 2nd Floor No. A-27 (Aras G, 1 & 2) Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Telephone no. : +609 5057 800	065-007
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2, Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Telephone no.: +609 5171 698	073-027
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Telephone no.: +609 5171 698	087-007
RHB INVESTMENT BANK BERHAD	Ground Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Telephone no.: +609 2234 943	087-022
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Telephone no.: +605 4914 913	087-041
KELANTAN DARUL NAIM		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Telephone no.: +609 7430 077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Telephone no.: +609 7432 288	058-004

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6317 922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6238 128	021-001
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Telephone no.: +609 8583 109	087-027
RHB INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Telephone no.: +609 6261 816	087-055
SARAWAK		
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Telephone no.: +6082 244 791	086-005
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26, Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Telephone no.: +6082 358 606	065-004
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Telephone no.: +6084 367 700	065-008

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
SARAWAK (cont'd)		
HWANGDBS INVESTMENT BANK BERHAD	Ground Floor & 1st Floor No. 1, Jalan Pending 1st Floor, No. 3 Jalan Pending 93450 Kuching Sarawak Telephone no.: +6082 341 999	068-005
HWANGDBS INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Telephone no.: +6086 330 008	068-016
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Telephone no.: +6085 435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Telephone no.: +6082 338 000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Telephone no.: +6084 313 855	073-012
RHB INVESTMENT BANK BERHAD	Yung Kong Abell Units No. 1-10, 2nd Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Telephone no.: +6082 250 888	087-003
RHB INVESTMENT BANK BERHAD	Lot 170 & 171 Section 49, K.T.L.D Jalan Chan Chin Ann 93100 Kuching Sarawak Telephone no.: +6082 422 252	087-008
RHB INVESTMENT BANK BERHAD	Lot 1268, 1st & 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Telephone no.: +6085 422 788	087-012

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
SARAWAK (cont'd)		
RHB INVESTMENT BANK BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Telephone no.: +6084 329 100	087-013
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Telephone no.: +6084 654 100	087-050
RHB INVESTMENT BANK BERHAD	Ground Floor & 1st Floor No. 221, Parkcity Commerce Square, Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Telephone no.: +6086 311 770	087-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Telephone no.: +6084 319 998	058-002
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Telephone no.: +6082 236 333	058-006
SABAH		
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Telephone no.: +6088 328 878	065-005
HWANGDBS INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Telephone no.: +6088 311 688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Telephone no.: +6088 234 090	020-001

17. LIST OF AUTHORISED DEPOSITORY AGENTS (cont'd)

Name	Address and telephone number	Broker code
SABAH (cont'd)		
KENANGA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Telephone no.: +6088 236 188	073-032
RHB INVESTMENT BANK BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Telephone no.: +6088 269 788	087-010
RHB INVESTMENT BANK BERHAD	Lot 14-0, Ground Floor Lorong Lintas Plaza 2 Lintas Plaza, Off Jalan Lintas 88300 Kota Kinabalu Sabah Telephone no.: +6088 258 618	087-036
RHB INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Telephone no.: +6089 229 286	087-057

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ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
1.	DCA	35	AOC	13 September 2012	30 September 2014	The certificate is not transferable and, unless cancelled, suspended, superseded or revoked, shall continue in effect.	Complied

We are authorised to operate the following makes and models of aircraft in scheduled and non-scheduled air transport, and the following permitted passenger capacity:

Make	Model	Maximum Passenger Seating Capacity and All Up Weight		
Airbus	A340-300	9M-XAB	327	275,000 KGS
Airbus	A340-300	9M-XAC	327	275,000 KGS
Airbus	A330-300	9M-XAA	377	215,000 KGS
Airbus	A330-300	9M-XXA	377	233,000 KGS
Airbus	A330-300	9M-XXB	377	233,000 KGS
Airbus	A330-300	9M-XXC	377	233,000 KGS
Airbus	A330-300	9M-XXD	377	233,000 KGS
Airbus	A330-300	9M-XXE	377	233,000 KGS
Airbus	A330-300	9M-XXF	377	233,000 KGS
Airbus	A330-300	9M-XXG	377	233,000 KGS
Airbus	A330-300	9M-XXH	377	233,000 KGS
Airbus	A330-300	9M-XXI	377	235,000 KGS

Aircraft Operations within the Territory of Malaysia
Our aircraft are authorised to operate over any of the following routes:

a) Any route or segment established by the DCA or appropriate agency;

b) In addition to the routes specified in sub-paragraph (a), flight may be planned and operated within controlled airspace over direct and other routes predicted on Very high frequency Omnidirectional Range ("**VOR**") facilities provided:

   1) Such routes lie within the published operational service volume of the VOR facilities used; and

   2) Operations are conducted at least 2,000 feet above terrain or at or above the Minimum En-route Altitude (MEA) if one is established.

Aircraft Operations outside the Territory of Malaysia
Operations shall be conducted over the routes defined in approved aeronautical information publications (AIP) or over the routes listed in the licence.

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
2.	DCA	04/2013(S)	ASL	10 May 2013	30 September 2014	This certifies that we have been given approval to operate scheduled and non-scheduled air services for the carriage of passengers on approved domestic and international routes. Conditions: a) Our Company is to ensure that all our aircraft have valid insurance coverage. b) Our Company is to possess a valid AOC as stipulated in Regulation 24 of the Malaysian Civil Aviation Regulations 1996. c) This licence can be revoked if the majority equity is not owned by Malaysian citizen(s).	Complied
3.	DCA	AO/0136/07	Certificate of Approval for Line Maintenance	5 October 2007	4 October 2013	Approval granted to us to issue certificates of release to service or the furnishing of reports where required in relation to the inspection, overhaul, repair, replacement, modification and resting in accordance with approved manufacturer's manuals for line maintenance for A330-300 and A340-300. The validity of the approval is conditional upon the holder making payment to the DCA of the relevant statutory fee prior to the anniversary date of issue of the approval.	Complied
4.	DCA	DOA/2011/01	Approval Certificate for Design Organisation	19 December 2012	20 December 2013	Approval granted to us as a Design Organisation for: a) designing, in accordance with the applicable type-certification basis and environmental protection requirements; b) showing and verifying the compliance with the applicable type-certification basis and environmental protection requirements; and c) demonstrating this compliance, for minor changes and minor repairs to structures, cabin interiors, galleys and other interior equipment. Conditions: a) The approval is limited to that specified in the terms; b) The approval is valid whilst the approved Design Organisation remains in compliance with Airworthiness notice No. 96; and	Complied

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
						c) Subject to compliance with the foregoing conditions, the approval shall remain valid until the expiry date, unless cancelled, superseded or revoked.	
5.	DCA	Ref No. DCA/GPU/1/207.3 Serial No. LVO/AX/02/11	Certificate of Approval for Low Visibility Operations	7 October 2011	N/A	This verifies that our A340-300s have met the requirements and the related operating rules and regulations prescribed hereunder for the issuance of the approval and are authorised to perform low visibility operations under Regulation 52 of the Civil Aviation Regulation 1996. a) Our aircraft is certificated to the approved autoland category. b) Our aircraft will be operated by qualified crew using the approved laid down procedures. c) Our aircraft is suitably equipped and maintained with approved autoland facilities.	Complied
6.	DCA	Ref No. DCA/GPU/1/207.3 Serial No. LVO/AX/01/11	Certificate of Approval for Low Visibility Operations	7 October 2011	N/A	This verifies that our A330-300s have met the requirements and the related operating rules and regulations prescribed hereunder for the issuance of the approval and are authorised to perform low visibility operations under Regulation 52 of the Civil Aviation Regulation 1996. a) Our aircraft is certificated to the approved autoland category. b) Our aircraft will be operated by qualified crew using the approved laid down procedures. c) Our aircraft is suitably equipped and maintained with approved autoland facilities.	Complied
7.	Civil Aviation Safety Authority ("**CASA**") of the Australian Government	1-5ADEL-10	AOC	3 April 2013	30 April 2014	We have been authorised to operate the following aircraft in International Air Transport Operations between the aerodromes listed below and any point outside of Australian territory. Part 1.1 Aircraft type: A330-300, A340-300 Location: Australian Territory Aerodrome: Melbourne, Perth, Sydney Part 1.2 Aircraft type: A330-300 Location: Australian Territory Aerodrome: Gold Coast, Melbourne, Perth, Sydney	Complied

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
						Conditions: All flights shall be operated under the Australian Instrument Flight Rules and conducted via designated airways, air routes or other tracking arrangements approved by Air Traffic Services, Australia and shall comply with the applicable procedures and requirements of the Australian Aeronautical Information Publications (AIPs). The aircraft shall be operated in accordance with those rules and procedures in the aircraft's state of registry that give effect to the requirements of Annex 6 Part 1 to the Convention on International Civil Aviation which apply to operations conducted under this certificate. If our Company intends to enter into a wet or damp lease arrangement with an International Airline Licence holder (the lease arrangement), our Company must contact CASA at least 72 hours prior to the operation of any service which is to be operated by an aircraft which is the subject of the lease arrangement. Our Company must allow a CASA person to have access to the aircraft for the purposes of inspecting the aircraft and its operation to ensure compliance with the Civil Aviation Act 1988. This certificate shall be valid only while our Company is in possession of a valid permit, certificate, licence or other satisfactory document from the aircraft's state of registry authorising the operations for which this certificate is issued. Our Company is to comply with the provisions of the Civil Aviation Act 1988 and any written directions issued by CASA applicable to operations conducted under this certificate.	
8.	Department of Infrastructure, Transport, Regional Development and Local Government of Australia	2009/28	International Airline Licence	25 August 2009	N/A	Our Company, being a designated airline of Malaysia, is licensed to operate scheduled international air services in accordance with the relevant international air services agreement between the Government of Australia and the Government of Malaysia, being the Memorandum of Understanding between the aeronautical authorities of Australia and Malaysia dated 12 November 2007 and the Agreement between the Government of the Commonwealth of Australia and the Government of Malaysia Relating to Air Services dated 4 October 1972 (collectively, the "**Agreement**").	Complied

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
						Conditions: 1. The services are to be operated by our Company in accordance with capacity and frequency entitlements on routes specified in the Agreement and such timetables as are from time to time approved by the Secretary to the Department of Infrastructure, Transport, Regional Development and Local Government. 2. Our Company is required to continue to meet nationality requirements as stipulated in the Agreement. 3. Our Company is to do the following, in accordance with regulation 18b of the Air Navigation Regulations 1947: a) comply with all relevant Australian laws and regulations; b) continue to maintain a published contact number in Australia; and c) provide to the Secretary a declaration at the commencement of each Northern Summer and Northern Winter scheduling season declaring that our Company continues to comply with the conditions of this licence. 4. Our Company is to continue to maintain insurance coverage in relation to passenger liability, third part liability, cargo and baggage liability and any injury and loss resulting from active hostilities or civil unrest. 5. If our Company fails to operate scheduled international services to and from Australia for 2 consecutive seasons, the Secretary may cancel the licence.	
9.	General Administration of Civil Aviation of China	N/A	Operation Permit	1 April 2012	31 March 2015	Conditions in the Air Operations Specifications are to be read together with the Operation Permit. Our Company is authorised to conduct scheduled passenger/cargo operations, non-scheduled/charter passenger operations in the People's Republic of China ("PRC") pursuant to Chinese Civil Aviation Regulations (CCAR) Part 129 and any other applicable laws, regulations and orders of the PRC. Our Company is to conduct each operation within the PRC in accordance with the specific authorisations, limitations and procedures contained in these operations specifications.	Complied

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
						Our Company is not to use the services of a pilot in command under the authority of these operations specifications if that person has reached his/her 65th birthday. Each flight crewmember shall hold current certificates or licences, showing that person's ability to perform duties connected with operating that aircraft, for all operations authorised by these operations specifications.	
10.	Civil Aeronautics Administration of Taiwan	N/A	Air Route Certificate	3 April 2009	2 April 2019	Our Company has obtained a certification of authorisation to operate an air service in and out of the territory of the PRC by the Government of PRC in conformity with the Agreement on Exchange of Traffic Rights between Malaysia Airlines and Taipei Airlines Association and under the following terms: Route: Taipei – Kuala Lumpur and return Category of service: Scheduled Air Passenger, Cargo and Mail services Aircraft Type: A330-300	Complied
11.	Office of Civil Aviation of Korea	N/A	Operating Permit	9 December 2010	N/A	The approval for our Company's international aviation operation business is granted pursuant to this operating permit, as follows: Airline name: AirAsia X Business Category: Foreign Carrier International Aviation Operation Business Operation Start Date: 1 November 2010 Pursuant to this licence, a plan for aviation safety and security is to be submitted for approval by the Ministry of Land, Transport and Maritime Affairs of Korea. The validity of the approval is conditional upon the validity of our Company's AOC issued by the authorities of its country of registration.	Complied
12.	Minister of Land, Infrastructure, Transport and Tourism of Japan	N/A	Permission Certificate	15 October 2010	N/A	We are granted the business licence of "International Air Transport Services by Foreign Nationals" pursuant to the Japan Civil Aeronautics Act pursuant to this permission certificate.	N/A

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
13.	DCA	MSN 952 – M.1469 MSN 054 – M. 1396 MSN 273 – M. 1489 MSN 278 – M. 1525 MSN 1048 – M. 1539 MSN 1066 – M. 1545 MSN 1075 – M. 1551 MSN 1126 – M. 1582 MSN 1131 – M. 1588 MSN 1165 – M. 1618 MSN 974 – M. 1476 MSN 1411 – M. 1782 MSN 662 – M. 1784	Certificate of Registration of Aircraft	MSN 952 7 September 2010 MSN 054 1 October 2007 MSN 273 1 October 2007 MSN 278 4 June 2009 MSN 1048 30 September 2009 MSN 1066 18 November 2009 MSN 1075 22 December 2009 MSN 1126 12 July 2010 MSN 1131 24 September 2010 MSN 1165 22 November 2010 MSN 974 8 October 2010 MSN 1411 22 April 2013	N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A	Our aircraft have been duly entered on the Aircraft Register in accordance with the Convention on International Civil Aviation dated 7 December 1944, and with the Civil Aviation Act 1969 and regulations issued thereunder. MSN 952 Owner: Sky High I Leasing Company Limited Hirer: AirAsia X MSN 054 Owner: MSA V Hirer: AirAsia X MSN 273 Owner: Orix Andromeda Corporation Hirer: AirAsia X MSN 278 Owner: Orix Galaxy Corporation Hirer: AirAsia X MSN 1048 Owner: Red X 2 Limited Hirer: AirAsia X MSN 1066 Owner: Red X 2 Limited Hirer: AirAsia X MSN 1075 Owner: Red X 2 Limited Hirer: AirAsia X MSN 1126 Owner: Red X 3 Limited Hirer: AirAsia X MSN 1131 Owner: Red X 3 Limited Hirer: AirAsia X MSN 1165 Owner: Sky High I Leasing Company Limited Hirer: AirAsia X	N/A

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
				MSN 662 3 May 2013	N/A	MSN 974 Owner: Sky High Leasing Company Hirer: AirAsia X MSN 1411 Owner: Red X 4 Limited Hirer: AirAsia X MSN 662 Owner: Whitney Leasing Limited Hirer: AirAsia X	
14.	DCA	MSN 952 – M. 1249 MSN 054 – M. 1177 MSN 273 – M. 1262 MSN 278 – M. 1292 MSN 1048 – M. 1307 MSN 1066 – M. 1314 MSN 1075 – M. 1322 MSN 1126 – M. 1351 MSN 1131 – M. 1358 MSN 1165 – M. 1384 MSN 974 – M. 1256 MSN 1411 – M. 1549 MSN 662 – M. 1551	Certificate of Airworthiness	MSN 952 5 October 2012 MSN 054 3 September 2012 MSN 273 21 January 2013 MSN 278 23 May 2012 MSN 1048 20 September 2012 MSN 1066 6 November 2012 MSN 1075 30 November 2012 MSN 1126 25 June 2012	MSN 952 30 October 2013 MSN 054 11 September 2013 MSN 273 2 February 2014 MSN 278 11 June 2013 MSN 1048 30 September 2013 MSN 1066 17 November 2013 MSN 1075 21 December 2013 MSN 1126 11 July 2013	The Certificate of Airworthiness is issued to our Company pursuant to the Convention on International Civil Aviation dated 7 December 1944, and with the Civil Aviation Act 1969 and regulations issued thereunder, in respect of our aircraft.	N/A

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
				MSN 1131 19 September 2012	MSN 1131 23 September 2013		
				MSN 1165 6 November 2012	MSN 1165 21 November 2013		
				MSN 974 29 November 2012	MSN 974 17 December 2013		
				MSN 1411 22 April 2013	MSN 1411 21 April 2014		
				MSN 662 3 May 2013	MSN 662 2 November 2013		
15.	DCA	MSN 952 DCA/AW/NC/0070	Noise Certificate	MSN 952 14 June 2011	N/A	Unconditional	N/A
		MSN 054 DCA/AW/NC/0069		MSN 054 14 June 2011	N/A		
		MSN 273 DCA/AW/NC/0040		MSN 273 30 May 2011	N/A		
		MSN 278 DCA/AW/NC/0041		MSN 278 30 May 2011	N/A		
		MSN 1048 DCA/AW/NC/0072		MSN 1048 14 June 2011	N/A		
		MSN 1066 DCA/AW/NC/0073		MSN 1066 14 June 2011	N/A		
		MSN 1075 DCA/AW/NC/0074		MSN 1075 14 June 2011	N/A		
		MSN 1126 DCA/AW/NC/0075		MSN 1126 14 June 2011	N/A		

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
		<u>MSN 1131</u> DCA/AW/NC/0004 <u>MSN 1165</u> DCA/AW/NC/0008 <u>MSN 974</u> DCA/AW/NC/0071 <u>MSN 1411</u> DCA/AW/NC/0279 MSN 662 DCA/AW/NC/0281		<u>MSN 1131</u> 24 September 2010 <u>MSN 1165</u> 24 September 2010 <u>MSN 974</u> 14 June 2011 <u>MSN 1411</u> 22 April 2013 <u>MSN 662</u> 3 May 2013	N/A N/A N/A N/A N/A		
16.	DCA	Ref No. DCA/GPU/1/165.3 <u>MSN 952</u> Serial No.: AX/04/10 <u>MSN 054</u> Serial No.: AX/03/10 <u>MSN 273</u> Serial No.: AX/9/10 <u>MSN 278</u> Serial No.: AX/10/10 <u>MSN 1048</u> Serial No.: AX/06/10 <u>MSN 1066</u> Serial No.: AX/07/10 <u>MSN 1075</u> Serial No.: AX/08/10 <u>MSN 1126</u> Serial No.: AX/01/10	Certificate of Approval for Reduced Vertical Separation Minima (RVSM), RNAV10 (RNP10), RNAV5 (RNP5) and P-RNAV operations	<u>MSN 952</u> 21 October 2010 <u>MSN 054</u> 21 October 2010 <u>MSN 273</u> 21 October 2010 <u>MSN 278</u> 21 October 2010 <u>MSN 1048</u> 21 October 2010 <u>MSN 1066</u> 21 October 2010 <u>MSN 1075</u> 21 October 2010	N/A N/A N/A N/A N/A N/A N/A	Unconditional	N/A

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
		MSN 1131 Serial No.: AX/02/10		MSN 1126 9 July 2010	N/A		
		MSN 1165 Serial No.: AX/11/10		MSN 1131 5 August 2010	N/A		
		MSN 974 Serial No.: AX/05/10		MSN 1165 18 November 2010	N/A		
		MSN 1411 Serial No.: AX/01/13		MSN 974 21 October 2010	N/A		
		MSN 662 Serial No.: AX/02/13		MSN 1411 15 April 2013	N/A		
				MSN 662 3 May 2013	N/A		
17.	Suruhanjaya Komunikasi & Multimedia Malaysia	MSN 952 01481665-000SU/42010 MSN 054 01430001-000SU/42009 MSN 273 01490507-000SU/42011 MSN 278 01509834-000SU/42010 MSN 1048 01524864-000SU/42012 MSN 1066 01532280-000SU/42012	Apparatus Assignment	MSN 952 1 January 2013 MSN 054 1 January 2013 MSN 273 1 January 2011 MSN 278 1 January 2011 MSN 1048 1 January 2012 MSN 1066 1 January 2012	MSN 952 31 December 2013 MSN 054 31 December 2013 MSN 273 31 December 2013 MSN 278 31 December 2013 MSN 1048 31 December 2013 MSN 1066 31 December 2013	Type of apparatus: Aircraft Stn Client No. 24379 Assigned to: AirAsia X Sdn Bhd Service category: mobile MSN 952, MSN 054, MSN 273, MSN 278, MSN 1165, MSN 974, MSN 1411 and MSN 662 All users of radio onboard our aircraft must hold a restricted radiotelephone operator's (aeronautical) certificate of proficiency. MSN 1048, MSN 1066, MSN 1075, MSN 1126, MSN 1131 The assignment to the aeronautical mobile satellite services (AMSS) within Malaysian Territory is on non-interference basis (NIB). This service shall apply to satellite systems which have completed frequency coordination with Malaysian administration. It shall comply with requirements of the Communications and Multimedia (Spectrum) Regulation 2000 and its amendments. It shall follow the protection criteria of the International Union Radiocommunication Bureau.	Complied

ANNEXURE A: LIST OF MAJOR LICENCES, PERMITS AND APPROVALS (cont'd)

No.	Approving Authority	Permit/Licence No.	Description	Date of Grant	Expiry Date	Salient Conditions	Status of Compliance
		MSN 1075 01532281-000SU/42012		MSN 1075 1 January 2012	MSN 1075 31 December 2013		
		MSN 1126 01565479-000SU/42012		MSN 1126 1 January 2012	MSN 1126 31 December 2013		
		MSN 1131 01565475-000SU/42012		MSN 1131 1 January 2012	MSN 1131 31 December 2013		
		MSN 1165 01578715-000SU/42012		MSN 1165 1 January 2013	MSN 1165 31 December 2013		
		MSN 974 01481667-000SU/42010		MSN 974 1 January 2013	MSN 974 31 December 2013		
		MSN 1411 01693064-000SU/42013		MSN 1411 1 January 2013	MSN 1411 31 December 2013		
		MSN 662 01706402-000SU/42013		MSN 662 1 January 2013	MSN 662 31 December 2013		

Note:

N/A *Not applicable*

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ANNEXURE B: BY-LAWS GOVERNING OUR ESOS

AIRASIA X BERHAD
BY-LAWS FOR THE EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

1. NAME OF SCHEME

This Scheme shall be called "**AAX ESOS**".

2. OBJECTIVES OF SCHEME

The objectives of the Scheme are:

(a) to recognise the contribution of Eligible Persons whose services are valued and considered vital to the operations and continued growth of the Group;

(b) to motivate Eligible Persons towards improved performance through greater productivity and loyalty;

(c) to inculcate a greater sense of belonging and dedication as Eligible Persons are given the opportunity to participate directly in the equity of AAX;

(d) to retain Eligible Persons, hence, ensuring that the loss of key personnel is kept to a minimum level; and

(e) to reward Eligible Persons by allowing them to participate in AAX's profitability and to eventually realise any capital gains arising from appreciation in the value of AAX Shares.

3. DEFINITIONS AND INTERPRETATION

3.1 In these By-laws, the following words and expressions shall bear the following meanings, unless the context otherwise requires:

AAX or the Company	:	AirAsia X Berhad (Company No. 734161-K);
AAX Shares	:	New ordinary shares of RM0.15 each in AAX;
Act	:	Companies Act, 1965 as amended from time to time and any re-enactment thereof, including all regulations issued thereunder;
Authorised Nominee	:	A person who is authorised to act as a nominee as specified in accordance with the schedule prescribed under Part VIII of the Rules of Bursa Depository;
By-Laws	:	Rules, terms and conditions of the Scheme (as may be amended, varied or supplemented from time to time in accordance with By-Law 15 and Listing Requirements (if applicable));
Board	:	Board of Directors of AAX;
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 166570-W);
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W);
CDS	:	The central depository system established, administered and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository;

CDS Account	:	The securities account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities;
Date of Offer	:	Date on which an Offer is made by the ESOS Committee in writing to a Selected Person to participate in the Scheme;
Directors	:	A natural person(s) who holds a directorship in any company comprised in the Group (which is not a dormant company), whether in an executive or non-executive capacity;
Disciplinary Proceedings	:	Proceedings instituted by AAX against a Grantee for any alleged misbehavior, misconduct and/or any other act of the Grantee deemed to be unacceptable by AAX in the course of that Grantee's employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Grantee;
Eligible Director(s)	:	Director(s) of any company comprised in the Group (which is not a dormant company) who meets the criteria of eligibility for participation in the Scheme in accordance with By-Law 4;
Eligible Employee(s)	:	Employee(s) of any company comprised in the Group (which is not a dormant company) who meets the criteria of eligibility for participation in the Scheme in accordance with By-Law 4;
Eligible Person(s)	:	Shall mean collectively, the Eligible Director and the Eligible Employee;
Effective Date	:	The date on which the Scheme come into force as provided under By-Law 17.1;
Employee	:	A natural person who is employed by and on the payroll of any company comprised in the Group (which is not a dormant company);
ESOS	:	Employees' Share Option Scheme for the benefit of the Eligible Persons to subscribe for AAX Shares upon the terms set out in these By-Laws;
ESOS Committee	:	A committee comprising such person(s) as may be appointed by the Board of AAX to administer the Scheme;
ESOS Option(s)	:	The right of a Grantee to subscribe for AAX Shares pursuant to the contract constituted by the acceptance of an offer in the manner as set out in By-Law 8;
Grantee (s)	:	Eligible Person(s) who has accepted an Offer in the manner indicated in By-Law 8;
Group	:	AAX and its subsidiaries which are not dormant. Subsidiaries shall refer to those within the meaning of Section 5 of the Act and shall include such subsidiaries which are existing as at the Effective Date and those subsequently acquired or incorporated at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in By-Law 13.1;
Listing	:	The listing and quotation of the AAX Shares for trade on the Main Market of Bursa Securities pursuant to an initial public offering and/or offer for sale;

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities including any amendments made from time to time;
Market Day	:	Any day between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities;
Maximum Allowable Allocation	:	Maximum number of ESOS Options or AAX Shares that can be offered/allotted to a Selected Person or a Grantee (as the case may be) as provided for in By-Law 7.2;
Notice of Exercise	:	The notice that is given by the Grantee to AAX to exercise his/her ESOS Option;
Offer	:	Written offer of ESOS Option made by the ESOS Committee to grant an ESOS Option to any Eligible Person in the manner provided for in By-Law 5;
Offer Letter	:	The offer letter issued by the ESOS Committee to any Eligible Person in the manner provided for in By-Law 5.2;
Offer Period	:	Period commencing seven (7) days from the Date of Offer (or such longer period as may be determined by the ESOS Committee) during which the Selected Person is entitled to accept the Offer;
Option Period	:	Period commencing from the Date of Offer and expiring on the date of expiry of the Scheme as provided in these By-Laws or other relevant date as provided in these By-Laws or as determined by the ESOS Committee provided that no Option Period shall extend beyond the duration referred to under By-Law 17 or in the event of a termination of the Scheme, the date of termination of the Scheme;
Person Connected	:	For the purpose of this definition, a person connected with an employee shall have the meaning given in relation to a person connected with a Director or substantial shareholder, applicable to such person who falls under any one of the following categories: (a) a member of the Directors or substantial shareholder's family, which family shall have the meaning given in Section 122A of the Act; (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, shareholder or a member of the Director's or substantial shareholder's family is the sole beneficiary; (c) a partner of the Director or substantial shareholder or partner of a person connected with that Director or substantial shareholder; (d) a person who is accustomed or under an obligation whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or substantial shareholder; (e) a person in accordance with whose directions, instructions or wishes the Director or substantial shareholder is accustomed or is under an obligation, whether formal or informal, to act;

(f) a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or substantial shareholder;

(g) a body corporate or its Directors whose directions, instructions or wishes the Director or substantial shareholder is accustomed or under an obligation, whether formal or informal, to act;

(h) a body corporate in which the Director's or substantial shareholder's family is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting share in the body corporate; or

(i) a body corporate which is a related corporation;

RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia;
Scheme	:	Scheme for the grant of ESOS Options to Eligible Persons to subscribe for AAX Shares in accordance with these By-Laws;
Selected Person	:	Eligible Person(s) who has been selected by the ESOS Committee and to whom an Offer has been made by the ESOS Committee in accordance with the terms and conditions of the Scheme;
Subscription Price	:	Price at which a Grantee shall be entitled to subscribe for each AAX Share as determined in accordance with the provisions of By-Law 9.

3.2 Headings are for ease of reference only and do not affect the interpretation of these By-Laws.

3.3 References to statutory provisions shall include such provisions as amended or re-enacted from time-to time, and references to statutes include any consolidations, replacements or revision of the same.

3.4 Words importing the masculine gender include the feminine gender and/or neuter gender and vice versa.

3.5 Words importing the singular number shall include the plural number and vice versa.

3.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day shall be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the expiry of the Scheme then the stipulated day shall be taken to be the last Market Day of the Scheme's tenure.

4. ELIGIBILITY

4.1 Subject to By-Law 4.2, Eligible Persons may be selected from time to time and at any time for the purposes of the Scheme by the ESOS Committee at its discretion and that the decision of the ESOS Committee shall be final and binding. Each selection of Eligible Persons made by the ESOS Committee shall be separate and independent from any other selection previously or later made by the ESOS Committee.

4.2 No person shall be selected to be an Eligible Person unless that person, as of any Date of Offer:

(a) is a natural person who is at least eighteen (18) years of age;

(b) is employed full time by and is on the payroll of any company within the Group and whose services has been confirmed by that particular company within the Group (if serving under an employment contract for a fixed duration, the contract shall be in respect of full-time employment for a duration of at least three (3) years);

(c) is duly elected as a Board member and is entitled to Director's fees or Director's remuneration;

(d) in the case of a Director, major shareholder or chief executive of AAX and Persons Connected to them, whose specific allocation has been approved by the shareholders of AAX in general meeting and is not prohibited or disallowed by the relevant authorities or law from participating in the Scheme; and

(e) has complied with any other criteria set by the ESOS Committee.

4.3 Without prejudice to By-Law 4.2, the ESOS Committee may, from time to time, stipulate any other conditions or eligibility criterion for the purposes of selecting an Eligible Person in its discretion.

4.4 Apart from the eligibility criteria set out in By-Laws 4.2 and 4.3 (*if applicable*) and any other conditions as may be imposed by the ESOS Committee from time to time, there are no other, conditions and/or performance targets in order to be eligible to participate in the ESOS.

4.5 A set of criteria on employee eligibility and allocation as determined by the Board from time to time shall be made available to all Eligible Persons. The allocation of the ESOS Options pursuant to the Scheme shall be verified by AAX's Audit Committee at the end of each financial year and an Audit Committee statement on such a verification of allocation shall be included in AAX's annual report.

4.6 Eligibility under the Scheme does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the ESOS Options or the AAX Shares comprised therein, unless an Offer has been made by the ESOS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the Scheme.

5. OFFER AND NON-TRANSFERABILITY OF ESOS OPTION

5.1 Subject to and in accordance with the provisions of these By-Laws, the ESOS Committee may at its discretion at any time and from time to time as it shall deem fit, make one or more Offers in writing to a Selected Person, whom the ESOS Committee may at its discretion select, provided always that any Offer shall not comprise less than 100 AAX Shares and shall always be in multiples of 100 AAX Shares.

The ESOS Committee may make more than one (1) Offer to an Eligible Person provided that the aggregate number of ESOS Options offered to an Eligible Person throughout the entire duration of the Scheme does not exceed his/her Maximum Allowable Allocation.

In the event that the ESOS Committee decides to make more than one Offer to a Selected Person and that such subscription of any number of AAX Shares is to be staggered:

(a) the number of ESOS Options, the number of AAX Shares to be offered in each ESOS Option and the timing of the subscriptions for the same shall be decided by the ESOS Committee at its discretion; and

(b) each ESOS Option shall be separate and independent from the others.

An Offer may be made upon such terms and conditions as the ESOS Committee may decide from time to time.

5.2 Each Offer Letter shall contain the following particulars (subject to modifications by the ESOS Committee from time to time):

(a) the number of ESOS Options that are being offered to the Selected Person;

(b) the number of AAX Shares which the Selected Person shall be entitled to subscribe for upon the exercise of the ESOS Options being offered;

(c) the Option Period;

(d) the Subscription Price;

(e) the Offer Period; and

(f) any restrictions in relation to the exercise of ESOS Options other than those set out in these By-Laws.

In the event of error on the part of AAX in stating any of the particulars in the Letter of Offer, the following provisions shall apply:

(aa) as soon as practicable but in any event no later than fourteen (14) days after discovery of the error, AAX shall issue a supplemental Letter of Offer, stating the correct particulars;

(bb) in the event that the error relates to particulars other than the Subscription Price, the Subscription Price applicable in the supplemental Letter of Offer shall remain as the Subscription Price as per the original Letter of Offer; and

(cc) in the event that the error relates to the Subscription Price, the Subscription Price applicable in the supplemental Letter of Offer shall be the Subscription Price applicable as at the date of the original Letter of Offer, save and except with respect to any ESOS Options which have already been exercised as at the date of issue of the supplemental Letter of Offer.

5.3 Without prejudice to the foregoing, any Offer made by the ESOS Committee that has not been accepted yet, shall become void, of no effect and incapable of acceptance upon any of the following events occurring:

(a) the offeree's death;

(b) the offeree ceasing to become an employee of AAX (otherwise than pursuant to his/her resignation from employment);

(c) the offeree giving notice of his/her resignation from employment; and

(d) the offeree being adjudged a bankrupt.

5.4 An ESOS Option is personal to the Selected Person and subject to the provisions of By-Law 16, it is exercisable only by the Selected Person personally during his/her lifetime whilst he is in the employment of any company within the Group.

5.5 An ESOS Option cannot be assigned, transferred, encumbered or otherwise disposed of in any manner whatsoever, except in case where the Selected Person is not a resident in Malaysia, the Offer to that non-resident Selected Person may be in favour of (and be accepted by) any person who is a resident in Malaysia who represents, is a nominee of, is an agent of, and/or is a trustee of that, Selected Person.

For the avoidance of doubt, the restriction in this By-Law 5.5 shall apply to any person who represents, is a nominee of, is an agent of and/or is a trustee of that Selected Person, to the extent where any assignment, transfer or disposal thereby is in favour of any person other than the Selected Person.

5.6 No ESOS Option may be granted or offered to any directors, major shareholders or chief executive officer of AAX and Persons Connected to a director, major shareholder or chief executive of AAX (within the meaning of the Listing Requirements), unless the specific grant of that ESOS Option, and the related allotment of AAX Shares pursuant to that ESOS Option, shall have previously been approved by AAX in a general meeting.

5.7 The ESOS Committee may in its absolute discretion revoke or suspend the nomination of Eligible Person whereupon such Eligible Person shall henceforth cease to be eligible for any Offer or grant of ESOS Options under the Scheme, provided that any ESOS Option already granted shall not be affected by such revocation or suspension and shall continue to be exercisable in accordance with the provisions of these By-Laws.

5.8 Notwithstanding By-Law 5.1 above, where it involves a grant of ESOS Option to an Eligible Person who is a member of the ESOS Committee, such grant of ESOS Options shall be decided by the Board and carried out by the ESOS Committee.

6. MAXIMUM AMOUNT OF AAX SHARES AVAILABLE UNDER THE SCHEME

6.1 The maximum number of AAX Shares that may be offered for subscription and allotted upon the exercise of the ESOS Options shall not exceed in aggregate, ten per centum (10%) of the total issued and paid-up share capital of the AAX (excluding treasury shares) at any point in time during the duration of the Scheme as provided in By-Law 17.

6.2 Notwithstanding the provision of By-Law 6.1 or any other provisions contained herein, in the event AAX purchases its own shares or undertakes any other corporate proposal resulting in the total number of AAX Shares made available under the Scheme to exceed ten per centum (10%) of the total issued and paid-up share capital of AAX (excluding treasury shares), no further ESOS Options shall be offered until the total number of AAX Shares to be made available under the Scheme falls below ten per centum (10%) of the total issued and paid-up share capital of AAX (excluding treasury shares). Any ESOS Options granted prior to the adjustment of the issued and paid-up ordinary share capital of AAX shall remain valid and exercisable in accordance with these By-Laws.

6.3 AAX shall, during the duration of the Scheme as provided in By-Law 17, make available sufficient unissued AAX Shares in the authorised share capital of AAX to satisfy all outstanding ESOS Options which may be exercised from time to time.

7. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOCATION

7.1 The maximum number of AAX Shares that may be offered to an Eligible Person shall be determined at the discretion of the ESOS Committee after taking into consideration, amongst others and where relevant, the performance, contribution, employment grade, seniority and length of service of the Eligible Person, provided that not more than 10% of AAX Shares to be issued under the Scheme would be allocated to any one Eligible Person, who either singly or collectively, through Persons Connected to him/her holds 20% or more of the issued and paid-up share capital of AAX (excluding treasury shares) and that: (i) the Directors and senior management shall not participate in the deliberation or discussion of their own allocation; and (ii) the Scheme is in accordance with any prevailing guidelines, the Listing Requirements or any other relevant authorities as amended from time to time.

7.2 Allocation to Eligible Persons shall be subjected to the Maximum Allowable Allocation which would depend on their respective category of Directors and/or employees.

7.3 Notwithstanding By-Law 7.2, the number of ESOS Options to be offered to each Eligible Person shall, subject to each Eligible Person's Maximum Allowable Allocation, be at the discretion of the ESOS Committee. In exercising its discretion, the ESOS Committee shall take into consideration Eligible Person's seniority, length of service, performance and contribution (both present and potential). The ESOS Committee shall not be obliged in any way to offer to an Eligible Person all of the specified Maximum Allowable Allocation. The decision of the ESOS Committee shall be final and binding. However, the allotment to the various categories of Eligible Persons under the Scheme shall be on equitable basis.

7.4 In the event of the promotion of an Eligible Person to a higher category during the tenure of the Scheme, then, subject to the discretion of ESOS Committee whether or not to make an Offer, such promoted Eligible Persons may be eligible to be offered additional AAX Shares based on the higher category after promotion as the ESOS Committee may in its discretion determine, subject to these By-Laws.

7.5 In the event that an Eligible Person is redesignated, demoted or moved to a lower category for whatever reason, the following provisions shall apply:

(a) his/her Maximum Allowable Allocation may be reduced as the ESOS Committee may in its absolute discretion determine;

(b) in the event that the total number of ESOS Options which has been accepted by him/her up to the date he/she is moved to the lower category is greater than his/her Maximum Allowable Allocation under such lower category, he/she shall be entitled to continue to hold and to exercise all unexercised ESOS Options held by him/her on such date but he/she shall not be entitled to be offered any further ESOS Options unless and until he/she is subsequently moved to a higher category so that his/her Maximum Allowable Allocation is increased to an amount greater than the total number of ESOS Options which has been accepted by him/her;

(c) in the event that the total number of ESOS Options which has been accepted by him/her up to the date he/she is moved to the lower category is less than his/her Maximum Allowable Allocation under such lower category, he/she shall be entitled to continue to hold and to exercise all unexercised ESOS Options held by him/her on such date and to be offered further ESOS Options up to his/her Maximum Allowable Allocation under such lower category.

7.6 Any Eligible Person holding more than 1 position in AAX and thereby falling within more than 1 category of Eligible Person in AAX shall only be entitled to the Maximum Allowable Allocation of the higher category.

7.7 The ESOS Committee may at its discretion introduce additional categories of Eligible Persons, which it shall deem necessary during the duration of the Scheme provided always that the Maximum Allowable Allocation in respect of these additional categories are in compliance with the relevant Listing Requirements and applicable laws.

8. ACCEPTANCE OF OFFER

8.1 An Offer shall remain valid throughout the Offer Period.

8.2 An Eligible Person who accepts an Offer must return, on or before the expiry of the Offer Period, the duly completed acceptance form (in such form as may be prescribed by the ESOS Committee from time to time) accompanied by the payment to AAX of the sum of RM1.00 as a consideration for acceptance of that Offer.

8.3 If that Offer is not accepted in such manner, the Offer shall, upon the expiry of the Offer Period, automatically lapse and be null and void.

9. SUBSCRIPTION PRICE

9.1 The Subscription Price, subject to any adjustments made under By-Law 10, which is payable when an Eligible Person subscribes for AAX Shares pursuant to the ESOS Option in respect of any Offer which is made in conjunction with or prior to AAX's listing on the Main Market of Bursa Securities shall be the initial public offer price to the Malaysian public.

9.2 After the date of Listing, subject to any adjustments made under By-Law 10, the Subscription Price which is payable when an Eligible Person subscribes for AAX Shares pursuant to the ESOS Option shall be the highest of the following:

(i) the 5-day weighted average market price of AAX Shares immediately preceding the Date of Offer, with a discount of not more than ten per centum (10%) at the ESOS Committee's discretion; and

(ii) par value of AAX Shares.

10. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

10.1 Subject to By-Law 10.3, in the event of any alteration in the share capital of AAX during the duration of the Scheme, whether by way of capitalisation of profits or reserves, rights issue, bonus issues, capital reduction, capital repayment, sub-division or consolidation of capital or otherwise howsoever taking place, such corresponding adjustments (if any) may be made in:

(a) the number of AAX Shares comprised in an ESOS Option or any portion which has yet to be exercised; and/or

(b) the Subscription Price; and/or

(c) the method and/or manner of the exercise of the ESOS Option,

so that such adjustments would give the Grantee a fair and reasonable ESOS Option entitlement.

Any adjustments (other than adjustments made pursuant to a bonus issue) must be confirmed in writing by an external auditor or adviser (which must be a principal adviser under the Securities Commission's Guidelines on Principal Adviser for Corporate Proposals) of AAX (acting as an expert and not as an arbitrator) as being in its opinion fair and reasonable and such certification and such adjustment shall be final and binding in all respects, provided that:

(aa) any adjustment to the Subscription Price shall be rounded down to the nearest RM0.01, and no adjustment to the Subscription Price shall be made which would result in the Subscription Price being at a discount to the par value of AAX Shares, and if such adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the AAX Shares;

(bb) upon any adjustment being made pursuant to this By-Law 10.1, the ESOS Committee shall notify the Grantee (or his/her legal personal representative where the Grantee is deceased) in writing of the adjusted Subscription Price, the adjusted number of AAX Shares comprised in the ESOS Option and/or the revised maximum number of AAX Shares that may be exercised at any time or in any period; and

(cc) in determining a Grantee's entitlement to subscribe for the AAX Shares, any fractional entitlement shall be rounded down to the nearest whole number.

Unless otherwise determined by the ESOS Committee, the adjustment pursuant to this By-Law 10.1 shall be made in accordance with the formulas as set out in the First Schedule of these By-Laws.

10.2 The adjustment pursuant to this By-Law shall be made on the day immediately following the books closure date for the event giving to the adjustment.

10.3 The provision of By-Law 10.1 shall not be applicable where an alteration in the capital structure of AAX arises from any of the following:

(a) an issue of AAX Shares pursuant to the exercise of ESOS Options under the Scheme; or

(b) an issue of securities as consideration for an acquisition; or

(c) an issue of securities as a private placement; or

(d) an issue of securities as a special issue approved by the relevant governmental authorities; or

(e) a restricted issue of securities; or

(f) an issue of further ESOS Options to Eligible Employee under these By-Laws; or

(g) an issue of AAX Shares arising from the exercise of any conversion rights in respect of securities convertible into AAX Shares including but not limited to warrants and convertible loan stocks; or

(h) a purchase by AAX of its own AAX shares pursuant to Section 67A of the Act. In this event, the following provisions shall apply:

(i) if the number of AAX Shares in respect of the ESOS Options granted by AAX as at the date of designation of the AAX Shares so purchased as treasury shares or cancellation of such treasury shares is greater than ten per centum (10%) of the issued capital of AAX after such designation or cancellation, the ESOS Committee shall not make any further Offers; and

(ii) if the number of AAX Shares in respect of the ESOS Options granted by AAX as at the date of designation of the AAX Shares so purchased as treasury shares or cancellation of such treasury shares is less than ten per centum (10%) of the issued capital of AAX after such designation or cancellation, the ESOS Committee may make further Offers only until the total number of ESOS Options granted by AAX is equivalent to ten per centum (10%) of the issued capital of AAX after such designation or cancellation.

10.4 Notwithstanding any provisions in these By-Laws, should there be circumstances where the ESOS Committee is of the opinion that:

(i) adjustment should be made;
(ii) adjustment should not be made;
(iii) formulae for adjustments as provided in First Schedule should not be applied;
(iv) adjustment should be calculated on a different basis; or
(v) adjustment should be made notwithstanding that no such adjustment is required under these By-Laws,

AAX may appoint an adviser and/or an external auditor to consider whether for any reason whatsoever the adjustment should be modified or nullified or an adjustment should be made notwithstanding the absence of a requirement under these By-Laws for such adjustment in such manner as may be considered by such adviser and/or external auditor to be appropriate.

10.5 Should there be other circumstances which give rise to a consideration for adjustments to the Subscription Price in favour of all Grantees, but it is decided by the ESOS Committee that no adjustment will be made, such decision must be made known to all the Grantees via a timely written notice, subject to compliance with the Listing Requirements and/or other relevant guidelines.

11. EXERCISE OF OPTION BY GRANTEE

11.1 Subject to these By-Laws and to By-Law 11.8, an ESOS Option can be exercised by the Grantee, to the extent that the right to subscribe for the AAX Shares comprised in the ESOS Option shall have become exercisable in accordance with the terms of the ESOS Option and these By-Laws:

(a) during his/her employment with a company within the Group (unless otherwise expressly provided under these By-Laws); and

(b) within the Option Period,

during the normal business hours of AAX or such day and/or during such periods as the ESOS Committee may decide for the purposes of exercises of ESOS Options hereunder, provided that no ESOS Option shall be exercised beyond the expiry of the duration of the Scheme as provided for in By-Law 17. The ESOS Option may be exercised in respect of all the AAX Shares, or in respect of any part of the AAX Shares that are the subject of the ESOS Option, to the extent that the right to exercise shall have become exercisable. A partial exercise of an ESOS Option which has become exercisable shall not preclude the Grantee from exercising the ESOS Option (where exercisable) in respect of the balance of the AAX Shares comprised in that ESOS Option.

11.2 Every Notice of Exercise shall be in such form as may be prescribed by the ESOS Committee from time to time) and must be accompanied by a remittance (calculated in accordance with the provisions of By-Laws 9 and 10) for the full amount of the subscription monies for the AAX Shares in respect of which the Notice of Exercise is given. Within 8 Market Days from the receipt by AAX's registered office of the Notice of Exercise (duly completed) and full remittance from the Grantee of the said subscription monies, AAX shall:

(a) allot and issue such number of AAX Shares to the Grantee (subject to and in accordance with the provisions in the Articles of Association of AAX and all applicable laws);

(b) despatch a notice of allotment to the Grantee accordingly; and

(c) apply for the quotation of these AAX Shares so allotted.

11.3 The AAX Shares to be issued pursuant to the exercise of an ESOS Option under the Scheme shall be credited directly into the CDS Account of the Grantee or that of his/her Authorised Nominee (as the case may be), and no physical share certificates will be issued and delivered to the Grantee or his/her Authorised Nominee (as the case may be). The Grantee shall provide AAX with his/her CDS Account number or the CDS Account number of his/her Authorised Nominee (as the case may be) in the Notice of Exercise.

11.4 The AAX Shares to be allotted and issued pursuant to the Scheme shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing AAX Shares, except that the AAX Shares shall not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is before the date of allotment of such AAX Shares.

The Group and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of AAX in allotting and issuing the AAX Shares or in procuring Bursa Securities to list and quote the AAX Shares subscribed for by a Grantee or any delay in receipt or non-receipt by AAX of the Notice of Exercise or for any errors in any Offers.

11.5 The ESOS Options shall not carry any right to vote at any general meeting of AAX. A Grantee shall not be entitled to any dividends, right or other entitlements on his/her unexercised ESOS Options.

11.6 For the avoidance of doubt, in the event that a Grantee is subject to Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service), the ESOS Committee, may in its discretion suspend any one or more of the Grantee's rights in respect of any ESOS Option then held by him, pending the outcome of such Disciplinary Proceedings, provided always that:

(a) in the event that such Grantee shall subsequently be found to be not guilty of all the charges which gave rise to such Disciplinary Proceedings, the Grantee's rights in respect of any ESOS Option then held by him shall remain unaffected (and where that ESOS Option had been suspended, the suspension shall be lifted). In such event, the Grantee shall have no right to claim for any damages from AAX; and

(b) in the event the Disciplinary Proceedings result in a dismissal or termination of service of such Grantee, the ESOS Options held by that Grantee shall immediately lapse and be null and void and of no further force and effect upon the date of the notice of the dismissal or termination of service of such Grantee, notwithstanding that such dismissal or termination of service may be subsequently challenged by the Grantee in any forum,

in any case and notwithstanding anything to the contrary, in the event such Grantee is found guilty of some or all of the charges but no dismissal or termination of service is recommended, the ESOS Committee shall have the sole right to determine, at its discretion, whether or not the Grantee may continue to exercise his/her ESOS Options and if so, to impose such limits, terms and conditions as it deems appropriate, in respect of such exercise (regardless of anything previously determined in respect of his/her ESOS Option).

11.7 An ESOS Option:

(a) to the extent that it shall not have been exercised upon the expiry of the Option Period; or

(b) to the extent that it shall not have become exercisable at all under the Scheme for any reason whatsoever (including, without limitation, by reason of the ESOS Committee determining that an ESOS Option shall not be exercisable at all, pursuant to By-Law 11.7),

shall lapse and become null and void.

11.8 Notwithstanding By-Law 11.1, all ESOS Options that are granted under this Scheme shall be exercisable only if the ESOS Committee determines that the ESOS Option is exercisable (and if so, determines the extent to which the ESOS Option is exercisable) in accordance with such criteria as the ESOS Committee may fix at any time and from time to time in its discretion, and (as the case may be) subject to such limits in numbers of AAX Shares and times of exercise as may be determined by the ESOS Committee also in its discretion.

For the avoidance of doubt, no ESOS Option shall be exercisable unless the same shall have been determined by the ESOS Committee pursuant to this By-Law 11.8. In this regard, the ESOS Committee may (may without prejudice to the generality of the foregoing) impose such conditions precedent as it thinks fit in respect of the exercise of any ESOS Options in whole or in part. In respect of any year during the duration of the Scheme, the ESOS Committee shall make the relevant determinations for the purposes of this By-Law 11.8 that are applicable to that year and notify Grantees of the same in writing.

12. TAKE-OVER / RECONSTRUCTION

12.1 Subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of:

(i) a take-over offer being made for AAX, under the Malaysian Code on Take-Overs and Mergers, 2010 (or any replacement thereof), to acquire the whole of the issued ordinary share capital of AAX (or such part thereof not at the time held by the person making the take-over ("Offeror") or any persons acting in concert with the Offeror), a Grantee will be entitled within such period to be determined by the ESOS Committee, to exercise all or any part of his/her ESOS Options and the Board shall use their best endeavours to procure that such a take-over offer be extended to the AAX Shares that may be issued pursuant to the exercise of the ESOS Options under these By-Laws; and

(ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of AAX Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to AAX that it intends to exercise such rights on a specific date ("Specific Date"), a Grantee who is holding outstanding exercisable ESOS Options will be entitled to exercise all or any part of his/her ESOS Options from the date of service of the said notice to AAX until and inclusive of the date on which the right of compulsory acquisition is exercised.

12.2 In the foregoing circumstances, if the Grantee fails to exercise his/her ESOS Options or elects to exercise only in respect of a portion of such ESOS Options, then any ESOS Options to the extent unexercised by the expiry of the periods stipulated in the aforesaid circumstances shall automatically lapse and be null and void.

13. DIVESTMENT FROM AND TRANSFER TO / FROM THE GROUP

13.1 If the Grantee who was in the employment of a company in the Group which was subsequently divested from the Group resulting in that company ceasing to be a subsidiary, unless approved by the ESOS Committee in writing, the ESOS Options unexercised on the date of such company ceasing to be a subsidiary, shall be exercised by the Grantee provided always that no ESOS Option shall be exercised after one (1) month (or such other period or on such conditions as may be determined by the ESOS Committee in its discretion) of the company ceasing to be a subsidiary of AAX. Such Grantee shall not be eligible to participate in further ESOS Option(s) under the Scheme.

13.2 In the event that the Grantee is transferred from the Group to any associated companies of the Group (which definition shall be that which is adopted by the Malaysian Financial Reporting Standards) or to any related companies (as defined in Section 6 of the Act) of AAX which have an existing employees' share option scheme in which the Grantee will be entitled to participate, unless approved by the ESOS Committee in writing, the ESOS Options unexercised on the date of transfer shall automatically lapse and be null and void and be of no effect.

13.3 In the event that:

(a) an employee who was employed in a company which is related to AAX pursuant to Section 6 of the Act (that is to say, a company which does not fall within the definition of "the Group") and is subsequently transferred from such company to any company within the Group; or

(b) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or acquisition exercise or otherwise involving AAX and/or any company within the Group with any of the first mentioned companies stated in (a) above, (the first abovementioned company in (a) and (b) herein referred to as the "Previous Company"), such an employee of the Previous Company will be eligible to participate in the Scheme for the remaining duration of the Scheme, if the affected employee becomes an Eligible Director or Eligible Employee within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into the Group pursuant to part (b) above as a subsidiary as defined in Section 5 of the Act or any other statutory regulation in place thereof during the duration of the Scheme, the Scheme shall apply to the employees of such company on the date such company becomes a subsidiary of the Group (provided that such subsidiary is not dormant) if the affected employee becomes an Eligible Director or Eligible Employee within the meaning under these By-Laws.

14. ADMINISTRATION

14.1 This Scheme shall be administered by ESOS Committee appointed by the Board. Subject to these By-Laws, the ESOS Committee shall, do all acts and things and enter into any transaction, agreement, deed, document or arrangement and to make such rules and regulations, impose such terms and conditions, appoint any adviser, agent, trustee or nominee to facilitate the implementation and operation of the Scheme, and/or delegate all or any part of its powers or duties relating to the Scheme which the ESOS Committee may in its discretion consider to be necessary or desirable for giving full effect to the Scheme and to promote the best interest of AAX. Unless otherwise expressly provided, where these By-Laws provide that any discretion is to be exercised by the ESOS Committee, that discretion may be exercised by the ESOS Committee in its absolute and unfettered discretion. The decisions of the ESOS Committee shall be final and binding and that the ESOS Committee shall not be under any obligation to provide any reasons whatsoever of its decisions (save and except as may be required by the relevant authorities) and that it may, as it deems fit, impose any terms and conditions in granting an approval. The ESOS Committee shall comprise of representative(s) from the Board and other persons appointed from time to time by the Board. The Board shall have discretion as it deems fit from time to time to approve, rescind and/or revoke the appointment of any person(s) in the ESOS Committee.

14.2 The Board shall have power at any time and from time to time to rescind the appointment of any person in the ESOS Committee and appoint new members to the ESOS Committee as it shall deem fit.

14.3 AAX shall keep and maintain at its expense a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allotment, the number of ESOS Options offered and accepted, the number of ESOS Options exercised, the Offer Date and the Subscription Price.

15. MODIFICATION AND/OR AMENDMENT OF THESE BY-LAWS

15.1 Subject to By-Law 15.2, the ESOS Committee may at any time and from time to time recommend to the Board any addition and amendment to or deletion of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any part of these By-Laws upon such recommendation subject to AAX submitting a confirmation letter to Bursa Securities each time an amendment is made, that the said amendment is in compliance with the provisions of the Listing Requirements pertaining to share issuance schemes and Depository Rules pursuant to Paragraph 2.12 of the Listing Requirements, no later than 5 Market Days from the effective date of the said amendments and/or modifications.

15.2 Subject to By-Law 15.3, the approval of the Grantees, ESOS Option holders and the shareholders of AAX in general meeting shall not be required in respect of additions or amendments to or deletions of these By-Laws provided that no additions, amendments or deletions shall be made to these By-Laws which would:

(a) prejudice any rights which would have accrued to any Grantee without his/her prior consent in writing; or

(b) increase the number of AAX Shares available under the Scheme beyond the maximum imposed by By-Law 6.1; or

(c) provide an advantage to any Grantee or group of Grantees or all Grantees, unless shareholders' approval is obtained at a general meeting.

15.3 For avoidance of doubt, the approval of the Grantees, ESOS Option holder or shareholders of the Company in general meeting shall not be required in respect of additions or amendments or deletions of these By-Laws in the event that such additions or amendments or deletions are necessary upon Listing so as to be compliant with the Listing Requirements of Bursa Securities.

15.4 For the purpose of complying with the provisions of the Listing Requirements, By-Laws 4, 6, 7, 8, 9, 10, 11, 17, 18 and this By-Law 15 shall not be amended or altered in any way whatsoever for the advantage of Eligible Directors and/or Eligible Employees without the prior approval of shareholders obtained at a general meeting.

16. TERMINATION OF THE ESOS OPTION

16.1 In the event of the cessation of employment of a Grantee with any company of the Group for whatever reason, prior to the full exercise of his/her ESOS Option, such unexercised ESOS Option shall forthwith cease to be valid without any claim against the Group, provided always that if such cessation occurs by reason of:

(a) retirement on attaining the normal retirement age under the Group's retirement policy;

(b) retirement before attaining that normal retirement age;

(c) ill-health, injury, physical or mental disability;

(d) redundancy or retrenchment, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the relevant company within the Group;

(e) transfer to any company outside the Group at the discretion of AAX; or

(f) any other circumstance which is acceptable to the ESOS Committee,

that Grantee's right in respect of such ESOS Option shall remain unaffected, subject to these By-Laws. In any of the cases of this By-Law 16.1, the ESOS Committee may at its discretion determine that all or any part of the unexercised ESOS Option (including those ESOS Options that are not exercisable in accordance with By-Law 11.7) can be exercisable in accordance with the provisions of these By-Laws, and the times or periods at or within which such ESOS Options may be exercised (provided that no ESOS Option shall be exercised after the expiry of the Option Period).

16.2 **Termination of employment:** For avoidance of doubt, the termination of ESOS Options pursuant to By-Laws 16.1 shall be effective on the day the Grantee's employer notifies the Grantee of termination of the Grantee's employment, on the Grantee's last day of employment or on the day the Grantee loses the Grantee's office, whichever is the earliest.

16.3 **Resignation:** Subject to By-Law 16.1, upon the resignation of the Grantee from his/her employment with the relevant company within the Group, an ESOS Option shall lapse forthwith on the date the Grantee tenders his/her resignation.

16.4 **Death of Grantee:** Where a Grantee dies before the expiry of the Option Period, the ESOS Committee may at its discretion determine that all or any part of the unexercised ESOS Options held by the Grantee, (including those ESOS Options that are not exercisable in accordance with By-Law 11.7), can be exercisable by the legal or personal representative of that Grantee, and the times or period at or within which ESOS Options may be exercised, provided always that no ESOS Option shall be exercised after the expiry of the Option Period.

16.5 **Bankruptcy of Grantee**: The ESOS Option shall immediately become void and of no effect on the bankruptcy of the Grantee.

16.6 **Liquidation or winding up of AAX:** In the event that any order is made or the date on which a provisional liquidator is appointed by the Company in the case of a voluntary winding-up or the date on which a petition for winding-up is served on or resolution is passed by the shareholders of the Company to wind up AAX, all unexercised or partially exercised ESOS Option shall automatically lapse and thereafter be null and void and have no further effect from the effective date of the order or resolution, as the case may be, for such winding-up or liquidation of AAX.

16.7 Upon the termination of ESOS Options pursuant to this By-Law 16, the Grantee shall have no right to compensation or damages or any claim against AAX from any loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise his/her ESOS Options or his/her ESOS Options ceasing to be valid.

16.8 Subject always to the duration of the Scheme, in the event that any company of the Group ceases to be a subsidiary of AAX, all unexercised or partially exercised ESOS Option of the Grantees who remain in the appointment or employment, as the case may be, of the aforesaid company may be exercised by the Grantee provided always that no ESOS Option shall be exercised after one (1) month (or such other period or on such conditions as may be determined by the ESOS Committee in its discretion) of the company ceasing to be a subsidiary of AAX.

16.9 The balance of unexercised ESOS Option pursuant to By-Law 16 shall be returned to the balance of the AAX Shares and at the discretion of ESOS Committee, may be offered to other Eligible Persons.

17. DURATION OF THE SCHEME

17.1 The Effective Date for the implementation of the Scheme shall be the date of approval of the shareholders of AAX for the ESOS being obtained.

17.2 The Company shall in conjunction with its Listing or as soon as may be practicable thereafter procure the following:

(a) compliance with the necessary requirements as set out in the Listing Requirements in order to keep the Scheme in operation on the terms of these By-Laws as from the date of Listing;

(b) the approval-in-principle from Bursa Securities for the listing of and quotation for the AAX Shares to be allotted and issued pursuant to the exercise of ESOS Options granted under the Scheme;

(c) the receipt of the approval(s) of any other relevant authorities (where applicable); and

(d) fulfillment or waiver (as the case may be) of all applicable conditions attached to the above approvals (if any).

17.3 The Scheme shall be in force for a period of five (5) years from the Effective Date ("**Initial Period**") and may be extended or renewed, as the case may be (on or before the expiry of the Initial Period), for a further period of up to 5 years, at the sole and absolute discretion of the Board upon recommendation by the ESOS Committee, provided that the Initial Period and such extension of the duration of the Scheme made pursuant to these By-Laws shall not, in aggregate, exceed a duration of 10 years from the Effective Date.

17.4 For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of AAX in a general meeting is required for any such extension or renewal, as the case may be.

17.5 All ESOS Option, whether or not exercisable, and (if exercisable) even when unexercised, shall forthwith lapse upon the expiry of the Scheme.

18. RETENTION PERIOD

18.1 AAX encourages Grantees to hold the AAX Shares subscribed for by them for as long as possible although a Grantee or his/her financier, as the case may be, may sell the AAX Shares subscribed for by the Grantee at any time after such AAX Shares have been credited to the Grantee's or his/her financier's CDS Account. A Grantee should note that the AAX Shares are intended for him to hold as an investment rather than for realisation to yield immediate profits.

18.2 Notwithstanding By-Law 16.1, a Grantee who is a non-executive Director must not sell, transfer or assign AAX Shares obtained through the exercise of the ESOS Options offered to him/her within one (1) year from the Date of Offer. Save for the non-executive Directors, the AAX Shares allotted and issued to the Grantees pursuant to the exercise of the ESOS Options will not be subject to any holding period or restriction on transfer, disposal and/or assignment.

19. TERMINATION OF THE SCHEME

19.1 Notwithstanding By-Law 17, the ESOS Committee may, upon the approval from the Board, terminate the Scheme at any time during its duration and may do so notwithstanding that there may be Grantees who have yet to exercise their ESOS Options, whether in part or in whole.

19.2 No Grantee shall be entitled to any compensation for damages arising from the termination of this Scheme pursuant to the provisions of these By-Laws.

19.3 In the event that AAX terminates the Scheme before its expiry, AAX shall immediately announce to Bursa Securities:

(a) the effective date of termination;
(b) the number of ESOS Options exercised or shares vested; and
(c) the reasons for termination.

20. COST AND EXPENSES OF THE SCHEME

20.1 All administrative costs and expenses incurred in relation to the Scheme including but not limited to costs and expenses relating to the allotment and issue of the AAX Shares upon the exercise of any ESOS Option, shall be borne by AAX.

20.2 For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including, without limitation, income taxes) that are incurred by Grantee of AAX Shares pursuant or relating to the exercise of any ESOS Option, and any holding or dealing of such AAX Shares (such as (but not limited to) brokerage commissions and stamp duty), shall be borne by that Grantee for his/her own account, and AAX shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

21. COMPENSATION

21.1 An Eligible Person or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit, or prospective right or benefit, under the Scheme which he might otherwise have enjoyed, whether such compensation is claimed by way of compensation for loss of office.

21.2 No Eligible Person or Grantee or legal or personal representative shall bring any claim, action or proceeding against AAX, the Board, the ESOS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his/her right to exercise his/her ESOS Options, his/her ESOS Options being not exercisable for any reason whatsoever, and/or his/her ESOS Options ceasing to be valid pursuant to the provisions of these By-Laws.

22. DISPUTES

In the event of a dispute between the ESOS Committee and an Eligible Person or Grantee, or in the event of an appeal by an Eligible Person or Grantee as to any matter or thing of any nature arising hereunder, the ESOS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason therefor) to the Eligible Person or Grantee, as the case may be.

23. INSPECTION OF FINANCIAL STATEMENTS

All Grantees shall be entitled to inspect a copy of the latest audited financial statements of AAX, which shall be made available at the registered office of AAX from Monday to Friday (except public holidays) during normal business hours.

24. SCHEME OF ARRANGEMENT

Notwithstanding By-Law 11 and subject to the discretion of ESOS Committee, in the event of the court sanctioning an arrangement or compromise between AAX and its members or creditors proposed for the purposes of, or in connection with, a scheme of arrangement and/or reconstruction of AAX under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act, a Grantee may be entitled to exercise all or any part of his/her remaining unexercised ESOS Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and up to but excluding the date upon which such compromise or arrangement becomes effective. Upon the aforesaid compromise or arrangement becoming effective, all or any part of an ESOS Option which remains unexercised shall automatically lapse and be null and void.

25. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Articles of Association of AAX, the provisions of the Articles of Association of AAX shall prevail at all times.

26. SCHEME NOT A TERM OF EMPLOYMENT

The Scheme shall not form part of, constitute or in any way be construed as any terms or conditions of employment or appointment of any Eligible Persons or Grantees. The Scheme shall not confer or be construed to confer on any Eligible Persons or Grantees any special right or privilege over and above the Eligible Persons' or Grantees' terms and conditions of employment under which the Eligible Persons or Grantees are employed.

27. DISCLAIMER OF LIABILITY

Notwithstanding any provisions contained herein, and subject to all applicable laws, the ESOS Committee, AAX and/or its agent, shall not, under any circumstance, be held liable for any damages, costs, losses and expenses whatsoever and howsoever arising in any event, including but not limited to AAX's delay in allotting and issuing the AAX Shares or in applying for or procuring the listing of the AAX Shares on Bursa Securities.

28. NOTICE

28.1 Any notice under the Scheme required to be given to or served upon an Eligible Person or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by electronic mail, by facsimile transmission and/or by letter sent via ordinary post addressed to the Eligible Person or Grantee at his/her place of employment, to his/her electronic mail address, at his/her last facsimile transmission number known to AAX, or to his/her last-known address. Any notice served by hand, by facsimile, by electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and acknowledged, (if by facsimile transmission) is transmitted with a confirm log print-out for the transmission indicating the date, time and transmission of all pages, (if by electronic mail) the dispatch of the electronic mail, (if any post) 3 days after postage.

28.2 Any notice under the Scheme required to be given to or served upon AAX and/or the ESOS Committee by an Eligible Person or Grantee shall be given, served or made in writing and delivered by hand or by registered post to the registered office of AAX (or such other office or place which the ESOS Committee may have stipulated for this purpose).

29. SEVERABILITY

Any terms, conditions, stipulations and/or provisions in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability, but the same shall not invalidate or render illegal, void or unenforceable any other terms, conditions, stipulations and/or provisions contained in these By-Laws.

30. GOVERNING LAW

The Scheme, these By-Laws, and all Offers and ESOS Options made and granted and actions taken under the Scheme shall be governed by and construed in accordance with Malaysian laws.

31. SUBSEQUENT ESOS

Subject to the approval of Bursa Securities and any other relevant authorities, AAX may establish more than 1 employees' share option scheme provided that the aggregate number of shares available under all the employees' share option schemes does not breach the limit stipulated in By-Law 6.1.

32. EFFECT OF THE LISTING REQUIREMENTS

Upon Listing and notwithstanding By-Law 15.4:-

(a) if the Listing Requirements require these By-Laws to contain a provision which is not expressly set out herein, these By-Laws shall be deemed to contain that provision;

(b) if the Listing Requirements require these By-Laws not to contain a provision which is expressly set out herein, these By-Laws shall be deemed not to contain that provision; and

(c) if any By-Law herein or part thereof is or becomes inconsistent with the Listing Requirements, these By-Laws shall be deemed not to contain that provision to the extent of the inconsistency.

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FIRST SCHEDULE
ADJUSTMENT FORMULAS

Subject to By-Law 10.1, the Subscription Price and the number of AAX Shares relating to the Options so far unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with the external auditor or adviser of AAX:

(a) If and whenever any AAX Shares by reason of any consolidation or subdivision or conversion shall have a different par value, the Subscription Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value and the additional number of AAX Shares relating to the Options to be issued shall be calculated in accordance with the following formula:

$$\text{Number of additional AAX Shares} = T \times \left[\frac{\text{Former Par Value}}{\text{Revised Par Value}}\right] - T$$

Where T = existing number of AAX Shares relating to an Option.

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective (being the date when the AAX Shares are traded on Bursa Securities at the new par value), or such other period as may be prescribed by Bursa Securities.

(b) If whenever AAX shall make any issue of AAX Shares to shareholders credited as fully paid-up, by way of bonus issue or capitalisation issue of profits or reserves of AAX (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A+B}$$

An additional number of AAX Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Number of additional AAX Shares} = \left\{T \times \left(\frac{A+B}{A}\right)\right\} - T$$

Where:

A = the aggregate number of issued and fully paid-up AAX Shares immediately before such bonus issue or capitalisation issue;

B = the aggregate number of AAX Shares to be issued pursuant to any allotment to shareholders credited as fully paid-up by way of bonus issue or capitalisation issue of profits or reserves of AAX (whether of a capital or income nature and including any share premium account and capital redemption reserve fund); and

T = T as in (a) above.

(c) If and whatever AAX shall make:

(1) A Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

(2) Any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe AAX Shares by way of rights; or

(3) Any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into AAX Shares or securities with rights to acquire or subscribe for AAX Shares attached thereto,

then and in respect of each such case, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in (c)(2) , the number of additional AAX Shares comprised in the Option to be issued shall be calculated as follows:

$$\text{Number of additional AAX Shares} = \left\{ T \times \left(\frac{C}{C\text{-}D^*} \right) \right\} - T$$

Where:

T = T as in (a) above;

C = the prevailing market price of each AAX share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for AAX Shares under (c)(2) above or for securities convertible into or with rights to acquire or subscribe for AAX Shares under (c)(3) above, the value of rights attributable to one (1) existing AAX share (as defined below); or

(bb) in the case of any other transaction falling within (c) hereof, the fair market value as determined (with the concurrence of the auditor of AAX) by the adviser of AAX (an investment bank or universal broker) of that portion of the Capital Distribution attributable to one (1) existing AAX share.

For the purpose of definition (aa) of "D" above, the "value of rights attributable to one (1) existing AAX share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = C as in (c) above;

E = the subscription price for one (1) additional AAX share under the terms of offer or invitation or one (1) additional security convertible into AAX Share or one (1) additional security with rights to acquire or subscribe for AAX Shares;

F = the number of existing AAX Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional AAX Share or security convertible into AAX Shares or right to acquire or subscribe for AAX Shares; and

D* = The value of rights attributable to one (1) existing AAX Share (as defined below).

For the purpose of definition D* above, the "value of the rights attributable to one (1) existing AAX Share" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = C as in (c) above;

E* = the subscription price for one (1) additional AAX Share under the terms of offer or invitation; and

F* = the number of existing AAX Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional AAX Share.

For the purpose of (c) hereof, **"Capital Distribution"** shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of AAX Shares (not falling under (b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of AAX (whether of a capital or income nature and including any share premium account and capital redemption reserve fund).

Any dividend charged or provided for in the audited accounts of AAX for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders as shown in the audited profit and loss accounts of AAX.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

(d) If and whenever AAX makes any allotment to its shareholders as provided in (b) above and also makes any offer or invitation to its shareholders as provided in (c)(2) or (3) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where AAX makes any allotment to its shareholders as provided in (b) above and also makes any offer or invitation to its shareholders as provided in (c)(2) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional AAX Shares relating to the Option to be issued shall be calculated as follows:

$$\text{Number of additional AAX Shares} = \left[T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

G = the aggregate number of issued and fully paid-up AAX Shares on the Entitlement Date;

C = C as in (c) above;

H = the aggregate number of AAX Shares under an offer or invitation to acquire or subscribe for AAX Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into AAX Shares or rights to acquire or subscribe for AAX Shares as the case may be;

H* = the aggregate number of AAX Shares under an offer or invitation to acquire or subscribe for AAX Shares by way of rights;

I = the subscription price of one (1) additional AAX Share under the offer or invitation to acquire or subscribe for AAX Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional AAX Share, as the case may be;

I* = the subscription price of one (1) additional AAX Share under the offer or invitation to acquire or subscribe for AAX Shares;

B = B as in (b) above; and

T = T as in (a) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

(e) If and whenever AAX makes any offer or invitation to its shareholders to acquire or subscribe for AAX Shares as provided in (c)(2) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for shareholders as provided in (c)(3) above, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional AAX Shares relating to the Option to be issued shall be calculated as follows:

$$\text{Number of additional AAX Shares} = \left[T \times \frac{(G + H^{*}) \times C}{(G \times C) + (H^{*} \times I^{*})} \right] - T$$

Where:

G = G as in (d) above;

C = C as in (c) above;

H = H as in (d) above;

H* = H* as in (d) above;

I = I as in (d) above;

I* = I* as in (d) above;

J = the aggregate number of AAX Shares to be issued to its shareholders upon conversion of such securities or exercise of such rights to subscribe for AAX Shares by the shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional AAX Share; and

T = T as in (a) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for the above transactions.

(f) If and whenever AAX makes an allotment to its shareholders as provided in (b) above and also makes and offer or invitation to acquire or subscribe for AAX Shares to its shareholders as provided in (c)(2) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for AAX Shares as provided in (c)(3) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional AAX Shares relating to the Option to be issued shall be calculated as follows:

$$\text{Number of additional AAX Shares} = \left[T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for the above transactions.

(g) If and whenever (otherwise than pursuant to a rights issue available to all shareholders and requiring an adjustment under (c)(2), (c)(3), (d), (e) or (f) above), AAX shall issue either any AAX Shares or any security convertible into AAX Shares or any rights to acquire or subscribe for AAX Shares, and in any such case, the Total Effective Consideration per AAX Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) AAX Share (as defined below) or, as the case may be, the price at which the AAX Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

Where:

L = the number of AAX Shares in issue at the close of business on the Bursa Securities on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of AAX Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and

N = the aggregate number of AAX Shares so issued or, in the case of securities convertible into AAX Shares or rights to acquire or subscribe for AAX Shares, the maximum number (assuming no adjustments of such rights) of AAX Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of (g), "**Total Effective Consideration**" shall be determined by the Board with the concurrence of the auditor and shall be:

(i) In case of the issue of AAX Shares, the aggregate consideration receivable by AAX on payment in full for such AAX Shares; or

(ii) In the case of the issue by AAX of securities wholly or partly convertible into AAX Shares, the aggregate consideration receivable by AAX on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by AAX upon full conversion of such securities (if any); or

(iii) In the case of the issue by AAX of securities with rights to acquire or subscribe for AAX Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by AAX upon full exercise of such rights.

In each case without any deduction of any commission, discount or expense paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per AAX Share" shall be the Total Effective Consideration divided by the number of AAX Shares issued as aforesaid or, in the case of securities convertible into AAX Shares or securities with rights to acquire or subscribe for AAX Shares, by the maximum number of AAX Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of (g), "**Average Price**" of a AAX Share shall be the average market price of one (1) AAX Share as derived from the last traded prices for one or more board lots of AAX Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such AAX Shares is determined.

Such adjustment will be calculated (if appropriate retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately following the date on which AAX determines the subscription price of such AAX Shares. Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

(h) For the purpose of (c), (d), (e) and (f), the current market price in relation to one (1) existing AAX Share for any relevant day shall be the average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

Such adjustments must be confirmed in writing by the auditor or adviser of AAX for the time being (acting as an expert and not as an arbitrator), and such adjustments shall be effected in compliance with the provisions for adjustments as provided in By-Law 10.

Notwithstanding the foregoing, any adjustments to the Subscription Price and/or the number of AAX Shares comprised in each Option so far as unexercised arising from bonus issues, need not be confirmed in writing by the auditor or adviser of AAX.

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ANNEXURE C: TERMS AND CONDITIONS OF THE INAUGURAL BENEFIT

INVESTORS ARE ADVISED TO READ, FULLY UNDERSTAND AND CAREFULLY CONSIDER THE CONTENTS OF THIS PROSPECTUS IN ITS ENTIRETY, AND NOT BASE YOUR INVESTMENT DECISION IN OUR SHARES SOLELY ON THIS INAUGURAL BENEFIT.

1. Entitlements under the Inaugural Benefit

(a) The entitlements under the Inaugural Benefit are only applicable to those shareholders who successfully subscribe for or acquire IPO Shares made available to the Malaysian public and the Eligible Passengers under the Retail Offering ("**Retail Investors**").

(b) The entitlements of the Retail Investors under the Inaugural Benefit are segregated into 2 categories:

<u>Category A</u>

Subject to Section 3 of Annexure C, all Retail Investors who successfully subscribe for or acquire **<u>10,000</u>** IPO Shares up to 99,999 IPO Shares at Listing and who continue to hold a minimum of **<u>10,000</u>** IPO Shares ("**Category A Qualifying Shareholding**") for the duration of any of the periods of time mentioned below, except for our shareholders prior to our IPO and those who are directors and employees of the AirAsia Group ("**Category A Eligible Shareholders**") will be entitled to receive and use **<u>one (1)</u>** zero fare return air ticket to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods stipulated in Section 2 of Annexure C:

(i) at least 1 year (365 days) from the date of the Listing;

(ii) 2 consecutive years (730 days) from the date of the Listing; and

(iii) 3 consecutive years (1,095 days) from the date of the Listing,

<u>Category B</u>

Subject to Section 3 of Annexure C, all Retail Investors who successfully subscribe for or acquire **<u>100,000</u>** IPO Shares or more at Listing and who continue to hold a minimum of **<u>100,000</u>** IPO Shares ("**Category B Qualifying Shareholding**") for the duration of any of the periods of time mentioned below, except for our shareholders prior to our IPO and those who are directors and employees of the AirAsia Group ("**Category B Eligible Shareholders**") will be entitled to receive and use **<u>three (3)</u>** zero fare return air tickets to any destination flown by AirAsia X originating from Malaysia during each of the redemption periods stipulated in Section 2 of Annexure C:

(i) at least 1 year (365 days) from the date of the Listing;

(ii) 2 consecutive years (730 days) from the date of the Listing; and

(iii) 3 consecutive years (1,095 days) from the date of the Listing.

The Category A Qualifying Shareholding and Category B Qualifying Shareholding shall collectively be referred to as the "**Qualifying Shareholding**", and the Category A Eligible Shareholders and the Category B Eligible Shareholders collectively or any one of them shall be referred to as the "**Eligible Shareholder(s)**".

Subparagraghs (b)(i), (b)(ii) and (b)(iii) above shall be defined hereon as the "**First Entitlement Date**", "**Second Entitlement Date**" and "**Third Entitlement Date**", respectively, and collectively referred to as the "**Eligibility Period**".

(c) Any Eligible Shareholder who reduces their shareholding below the respective Qualifying Shareholding at any time during any applicable Eligibility Period shall become automatically disqualified from the applicable Inaugural Benefit entitlement under the respective category.

(d) However, in the event that a Category B Eligible Shareholder who reduces his/her shareholding below the Category B Qualifying Shareholding but above the Category A Qualifying Shareholding, the shareholder will cease to be entitled to the benefits under Category B but instead will be entitled to the benefits under Category A.

(e) As the zero fare air tickets under the Inaugural Benefit can only originate from Malaysia, this benefit may be of limited use to Eligible Shareholders who reside outside Malaysia.

(f) There is no assurance that all the current destinations flown by AirAsia X originating from Malaysia will be maintained throughout the redemption period as set out under Section 2(a) to (c) below, as we may suspend or withdraw any of our existing routes due to operational or other considerations.

(g) In view that the Inaugural Benefit is introduced in conjunction with our IPO, the entitlements under the Inaugural Benefit are only applicable to the Retail Investors who subscribed for or acquired Shares under our IPO and exclude our shareholders prior to our IPO.

(h) In the event of any alteration in the share capital of AirAsia X when the Inaugural Benefit is still valid, whether by way of capitalisation of profits or reserves, rights issue, bonus issue, capital reduction, capital repayment, sub-division or consolidation of capital or otherwise howsoever taking place, such corresponding adjustments (if any) may be made so that such adjustments would give Eligible Shareholders a fair and reasonable entitlement under the Inaugural Benefit which is no worse-off than that based on the existing Qualifying Shareholding. Any adjustment (if required) will be determined by our Board at its sole discretion and our Board's decision is final.

(i) For the avoidance of doubt, any Retail Investor applying to subscribe for or acquire such number of IPO Shares may not be allotted such number of IPO Shares. In such event, the Retail Investor will still be obliged to proceed with the subscription or acquisition of any amount of IPO Shares allotted to them, notwithstanding that they may not be eligible to enjoy the Inaugural Benefit as stated in the event that such number of IPO Shares allotted to them is less than the Qualifying Shareholding described in Section 1(b) above.

2. Redemption of Tickets

Subject to Sections 1 and 3 of Annexure C:

(a) Within twelve (12) months from the First Entitlement Date ("**First Redemption Period**"), the Eligible Shareholder will be entitled to redeem one (1) zero fare return ticket (for Category A Eligible Shareholders) or three (3) zero fare return tickets (for Category B Eligible Shareholders) to any destination flown by AirAsia X originating from Malaysia, after which the entitlement to the Inaugural Benefit will lapse. The redemption of the Inaugural Benefit, the reservation of the flights based on chosen travel dates and destination and the utilisation of the zero fare return air ticket(s) must all take place within the First Redemption Period.

(b) Within twelve (12) months from the Second Entitlement Date ("**Second Redemption Period**"), the Eligible Shareholder will be entitled to redeem one (1) additional zero fare return ticket (for Category A Eligible Shareholders) or three (3) additional zero fare return tickets (for Category B Eligible Shareholders) to any destination flown by AirAsia X originating from Malaysia, after which the entitlement to the Inaugural Benefit will lapse. The redemption of the Inaugural Benefit, the reservation of the flights based on chosen travel dates and destination and the utilisation of the zero fare return air ticket(s) must all take place within the Second Redemption Period.

(c) Within twelve (12) months from the Third Entitlement Date ("**Third Redemption Period**"), the Eligible Shareholder will be entitled to redeem one (1) additional zero fare return ticket (for Category A Eligible Shareholders) or three (3) additional zero fare return tickets (for Category B Eligible Shareholders) to any destination flown by AirAsia X originating from Malaysia, after which the entitlement to the Inaugural Benefit will lapse. The redemption of the Inaugural Benefit, the reservation of the flights based on chosen travel dates and destination and the utilisation of the zero fare return air ticket(s) must all take place within the Third Redemption Period.

(d) Any Eligible Shareholder who does not redeem his Inaugural Benefit during the First Redemption Period or the Second Redemption Period, cannot carry forward such Inaugural Benefit for utilisation during the Second Redemption Period or the Third Redemption Period, respectively.

(e) Eligible Shareholders who do not redeem their Inaugural Benefit during the First Redemption Period, the Second Redemption Period or the Third Redemption Period, whichever is applicable, shall be deemed to have forfeited their entitlement to it.

(f) In order to redeem the zero fare air tickets during the applicable redemption periods described in (a) to (c) above, Eligible Shareholders are required to follow the redemption procedures described below:

(i) After the respective entitlement dates described in Section 1(b) of Annexure C above, Eligible Shareholders are required to email us at aax_shareholder@airasia.com to redeem their entitlement of the zero fare return air ticket(s) by providing details of his/her full name, national registration identity card (NRIC) number, passport number and expiry date, contact details, BIG Card number (if available), AirAsia Member User ID (if available), travel destination and up to three (3) of his/her preferred travel date(s) and time, and/or any other information as may be necessary to verify his/her eligibility.

Alternatively, Eligible Shareholders may also contact us at the AirAsia X Premium Line (600 85 888) during operating hours from 9.00 a.m. to 6.00 p.m. Monday to Sunday for instructions to redeem the zero fare air ticket, to make general enquiries or any other arrangements in relation to the Inaugural Benefit. Please note that in the case of telephone queries, our call agents will note your details and will call you back.

(ii) All Eligible Shareholders are required to redeem their zero fare return air tickets no less than 14 days from their intended travel dates in order to allow for sufficient time to process and confirm reservations. AirAsia X will not entertain any requests for redemption by Eligible Shareholders where request for redemptions are made with less than 14 days notice from their intended travel dates.

(iii) Once the eligibility of an Eligible Shareholder is determined and confirmed, and subject to seat availability on the travel destination and preferred travel dates and time, we will, subject to any unforeseen circumstances, confirm the reservation within three (3) working days from our receipt of your request for redemption, via email with a booking reference number, and provide instructions on how to go to https://booking.airasia.com/BookingListLogin.aspx (the "**AirAsia Booking Portal**") to allow the Eligible Shareholder to finalise his/her reservation with us, which must be completed within three (3) working days from our response. In finalising his/her reservation, the Eligible Shareholder will be required to make such other applicable payments via the AirAsia Booking Portal. Please see Section 3(a) of Annexure C for details of such additional charges.

(iv) In order to access the AirAsia Booking Portal to finalise a reservation with the provided booking reference number, an Eligible Shareholder is required to provide an AirAsia Member User ID and password. Alternatively, if the Eligible Shareholder does not have an AirAsia Member User ID and password, he can also sign up to be an AirAsia Member at www.airasia.com/my/en/aamember/membership.page at no cost.

(v) In the event that the preferred travel dates and time is not available for the selected travel destination during step (iii) above, we will send an email notification of this to the Eligible Shareholder stating such unavailability and a request for new travel plans will be sought from the Eligible Shareholder to repeat the process of reservation described above.

3. Terms and Conditions

(a) The Inaugural Benefit comprises solely of AirAsia X zero fare air tickets to any destination flown by AirAsia X originating from Malaysia. In redeeming the zero fare return air tickets, for the avoidance of doubt, Eligible Shareholders will be required to pay for any fuel surcharges, airport taxes (except for selected airports where airport tax is collected at the point of departure), any non-refundable processing fee incurred for payments via credit, debit or charge card as well as any ancillary products (such as insurance, meals or baggage allowance) selected in connection with the reservation and usage of the air tickets, where applicable.

(b) An Eligible Shareholder could redeem a zero fare return ticket so long as a seat is available for the particular chosen destination and flight time. However, similar to any fee paying passengers, the availability of the seat is dependent on the overall demand for that particular flight. To avoid disappointments, Eligible Shareholders are advised to plan their travel (except for certain routes and dates set out below) early when redeeming their zero fare return tickets.

Due to expected high demand during seasonal peak travel periods for Malaysia and the markets that we serve, the following periods will not be available for travel for the indicated AirAsia X routes or destinations as at the LPD (the routes or destinations of which may vary, be suspended or terminated during the duration of the Inaugural Benefit) under the Inaugural Benefit ("**Black-out Periods**"):

Year	Dates[1]	Events	Routes / Destinations
2014[2]	26 July - 10 August	- Hari Raya Puasa and Malaysia school holidays	All destinations
	15 July - 31 August	- China, Japan and Korea summer movement	Japan / Korea / China
	30 August - 1 September	- Malaysia National Day	All destinations
	13 - 16 September	- Malaysia Day long weekend	All destinations
	27 September - 6 October	- China National Day golden week	China
	1 - 31 October	- Chengdu autumn peak	Chengdu
	3 - 6 October	- Hari Raya Haji long weekend	All destinations
	4 - 12 October	- Taiwan National Day golden week	Taiwan

ANNEXURE C: TERMS AND CONDITIONS OF THE INAUGURAL BENEFIT (cont'd)

Year	Dates[1]		Events	Routes / Destinations
	25 - 28 October	–	Deepavali and Awal Muharram long weekend	All destinations
	15 November - 31 December	–	Malaysia school holidays	All destinations
	11 - 31 December	–	Australia school holidays commencement	Outbound Australia
	1 - 31 December	–	Taiwan and Korea winter movement	Taiwan / Korea
	21 - 31 December	–	Christmas peak	All destinations
2015	1 January	–	Malaysia school holidays, Australia school holidays commencement, Taiwan and Korea winter movement and Christmas peak	All destinations
	1 - 6 January	–	New Year and the Prophet Muhammad Birthday long weekend	All destinations
	1 - 31 January	–	Australia school holidays ending	Inbound Australia
	30 January - 3 February	–	Malaysia Federal Day and Thaipusam peak	All destinations
	14 February - 1 March	–	Chinese New Year peak	All destinations
	8 - 17 March	–	Malaysia school holidays	All destinations
	22 March - 13 April	–	Cherry blossom peak	Japan / Korea
	4 - 6 April	–	Tomb sweeping holidays	China / Taiwan
	3 - 7 April	–	Easter peak	Australia
	25 April - 4 May	–	Labour Day golden week peak	All destinations
	23 May - 9 June	–	Malaysia school holidays	All destinations
	15 - 21 July	–	Hari Raya Puasa	All destinations
	15 July - 31 August	–	China, Japan and Korea summer movement	Japan / Korea / China
	15 - 31 August	–	Malaysia school holidays	All destinations
	30 August - 1 September	–	Malaysia National Day	All destinations
	12- 16 September	–	Malaysia Day long weekend	All destinations
	24 - 27 September	–	Hari Raya Haji long weekend	All destinations
	26 September - 7 October	–	China National Day golden week	China
	1 - 31 October	–	Chengdu autumn peak	Chengdu

Year	Dates[1]	Events	Routes / Destinations
	4 - 12 October	– Taiwan National Day golden week	Taiwan
	15 - 18 October	– Awal Muharram long weekend	All destinations
	7 November – 31 December	– Deepavali and Malaysia school holidays	All destinations
	10 - 31 December	– Australia school holidays commencement	Outbound Australia
	1 - 31 December	– Taiwan, Korea and Japan winter movement	Taiwan / Korea / Japan
	21 - 31 December	– Christmas peak	All destinations
2016	1 January	– Malaysia school holidays, Australia school holidays commencement, Taiwan, Korea and Japan winter movement and Christmas peak	All destinations
	1 - 6 January	– New Year and the Prophet Muhammad Birthday long weekend	All destinations
	1 - 31 January	– Australia school holidays ending	Inbound Australia
	4 - 22 February	– Chinese New Year peak	All destinations
	8 - 17 March	– Malaysia school holidays	All destinations
	24 March - 4 April	– Easter peak	Australia
	24 March - 11 April	– Cherry blossom peak	Japan / Korea
	1 - 5 April	– Tomb sweeping holidays	China / Taiwan
	28 April - 8 May	– Labour Day golden week peak	All destinations
	23 May - 9 June	– Malaysia school holidays	All destinations
	2 - 12 July	– Hari Raya Puasa	All destinations
	15 July - 31 August	– China, Japan and Korea summer movement	Japan / Korea / China
	15 - 31 August	– Malaysia school holidays	All destinations
	30 August - 1 September	– Malaysia National Day	All destinations
	10 - 18 September	– Malaysia Day and Hari Raya Haji long weekend	All destinations
	1 - 4 October	– Awal Muharram long weekend	All destinations
	26 September - 7 October	– China National Day golden week	China
	4 - 12 October	– Taiwan National Day golden week	Taiwan
	1 - 31 October	– Chengdu autumn peak	Chengdu

ANNEXURE C: TERMS AND CONDITIONS OF THE INAUGURAL BENEFIT (cont'd)

Year	Dates[(1)]		Events	Routes / Destinations
	28 - 31 October	–	Deepavali long weekend	All destinations
	15 November – 31 December	–	Malaysia school holidays	All destinations
	8 - 21 December	–	Australia school holidays commencement	Outbound Australia
	1 - 31 December	–	Taiwan, Korea and Japan winter movement	Taiwan / Korea / Japan
	8 -12 December	–	The Prophet Muhammad Birthday long weekend	All destinations
	21 - 31 December	–	Christmas peak	All destinations
2017	1 January	–	Malaysia school holidays, Australia school holidays commencement, Taiwan, Korea and Japan winter movement and Christmas peak	All destinations
	1 - 6 January	–	New Year	All destinations
	1 - 31 January	–	Australia school holidays ending	Inbound Australia
	25 Jan - 12 Feb	–	Chinese New Year peak	All destinations
	8 - 17 March	–	Malaysia school holidays	All destinations
	23 March - 11 April	–	Cherry blossom peak	Japan / Korea
	1 - 5 April	–	Tomb sweeping holidays	China / Taiwan
	13 - 23 April	–	Easter peak	Australia
	28 April - 8 May	–	Labour Day golden week peak	All destinations
	25 May - 11 June	–	Malaysia school holidays	All destinations
	23 Jun - 2 July	–	Hari Raya Puasa	All destinations
	15 July - 31 August	–	China, Japan and Korea summer movement	Japan / Korea / China

Notes:

(1) The Black-out Periods are based on currently available information as at the LPD and may be subject to change due to, amongst others, changes of existing public or school holidays, introduction of additional public or school holidays or prevailing economic conditions which may affect air travel.

(2) Being the expected period immediately after the First Entitlement Date taking into consideration the expected date of Listing up to the expected expiry of the Third Redemption Period.

The routes or destinations set out in the table above refer to the routes or destinations which AirAsia X currently serve and do not include any new markets or destinations that we may commence operating during the period when the Inaugural Benefit is in place. Such new markets or destinations may have different seasonal high demand travel periods and as such we reserve our rights to impose such applicable Black-out Periods in respect of any new markets or destinations which we may serve in the future. We will update the Black-out Periods at the end of each quarter of the year, i.e. 31 March, 30 June, 30 September and 31 December on AirAsia X's Investor Relations webpage at www.airasia.com. Eligible Shareholders are advised to refer to such available updates or contact us to obtain updates to the Black-out Periods prior to redeeming the zero fare return air tickets.

(c) The Inaugural Benefit is not transferable and the reservation of the zero fare return air tickets must be made in the name of the Eligible Shareholder. Once a zero fare return air ticket has been issued under the Inaugural Benefit, the details on the air ticket cannot be changed or amended in any way whatsoever, save for one (1) date change once the air ticket is issued, subject to payment of the applicable change fee by the Eligible Shareholder.

(d) The redemption and the use of the zero fare air ticket under the Inaugural Benefit will be subject to the terms and conditions of carriage of AirAsia X ("**Terms and Conditions of Carriage**"). In redeeming the Inaugural Benefit, save for Section 3(c) of Annexure C above, the Eligible Shareholder agrees to adhere to and to be subject to all prevailing Terms and Conditions of Carriage. Please refer to http://www.airasia.com/my/en/about-us/terms-and-conditions-d7.page for details relating to the Terms and Conditions of Carriage.

(e) For Eligible Shareholders which are corporations, legal entities or trusts, etc., they may nominate a person to be named as a passenger of the zero fare air ticket for every zero fare air ticket they are entitled to receive, provided that the Eligible Shareholder submits to AirAsia X as part of the redemption procedures set out in Section 2(f) of Annexure C a nomination letter duly executed by an authorised person. Nominated persons must be directors or employees of the corporations, legal entities or trusts, etc.

(f) Where an Eligible Shareholder is an authorised nominee which holds the IPO Shares for a beneficial owner under a securities account, such beneficial owner who is deemed eligible by virtue of the IPO Shares beneficially held for him during the Eligibility Period shall be entitled to the Inaugural Benefit, provided that the beneficial owner submits to AirAsia X as part of the redemption procedures set out in Section 2(f) of Annexure C sufficient documentary evidence, identifying him as the beneficial owner of the relevant IPO Shares and such letter is duly acknowledged by the registered shareholder of the IPO Shares.

(g) It should be noted that the benefit of the zero fare return air tickets accorded under the Inaugural Benefit is not exclusive to the Inaugural Benefit and that we reserve our rights to include any zero fare return air tickets in whatever form or manner into other benefits of our Shareholders' Benefit Programme or any of our marketing or promotional activities going forward.

4. Governing Laws

This Annexure C shall be governed by and construed in all respects in accordance with the laws of Malaysia.

5. Average Return Base Fares of our Existing Routes

The value of our base fare would be different for each Eligible Shareholder who redeems, as it is dependent on (a) the destination chosen, (b) the period of travel and (c) the date of redemption or booking. Our base fares are also affected by other competitive factors including capacity availability, fuel price and seasonal demand, amongst other.

Strictly for illustration purposes only, the average return base fare (excluding fuel surcharge) for each of the routes currently served by AirAsia X based on the period indicated are set out in the table below. This illustration is intended to provide you with an indication of our recent return base fares but does not indicate or equate the actual fares when Eligible Shareholders redeem their entitlements in the future and as such the actual fares could significantly differ when actually redeemed.

Destination City	Average Return Base Fare (RM)	Destination City	Average Return Base Fare (RM)
Gold Coast(1)	1,492	Taipei(1)	750
Perth(1)	1,078	Tokyo(1)	1,206
Melbourne(1)	1,516	Osaka(1)	942
Sydney(1)	1,208	Seoul(1)	1,070
Hangzhou(1)	856	Busan(3)	486
Chengdu(1)	848	Kathmandu(1)	1,370
Beijing(1)	792	Jeddah(4)	2,220
Shanghai(2)	580		

Notes:

(1) *Average return base fare in 2012.*

(2) *As the the Shanghai route was only introduced in November 2012 with flights commencing in February 2013, the average return base fare is based on the average fares since route commencement up to 21 April 2013 and all the tickets sold as at 21 April 2013 with travel period up to 31 December 2013.*

(3) *As the flight to Busan was only introduced in April 2013 with flights commencing in July 2013, the average return base fare is based on the average fares of all the tickets sold as at 21 April 2013 with travel period up to 31 December 2013.*

(4) *As the flight to Jeddah was only introduced in January 2013 with flights commencing in February 2013, the average return base fare is based on the average fares since route commencement up to 21 April 2013 and all the tickets sold as at 21 April 2013 with travel period up to 31 December 2013.*

6. Frequently Asked Questions ("FAQ")

(a) How do I know if I am eligible to take part in the Inaugural Benefit?

Subject to applicable terms and conditions, if you are a shareholder who have applied and successfully subscribed or acquired IPO Shares under the Retail Offering for Malaysian public (being White Form application, Electronic Share Application and Internet Share Application) and Eligible Passengers (being Blue Form application) you will be entitled to take part in the Inaugural Benefit.

(b) Will I be entitled to participate in the Inaugural Benefit if I do not have any Shares upon Listing but subsequently acquire the Shares from the open market?

No, the entitlements under the Inaugural Benefit are only applicable to shareholders who successfully applied for the IPO Shares under the Retail Offering of our IPO and not through the acquisition of Shares from the open market.

(c) Will I be entitled to participate in the Inaugural Benefit if I apply for 11,000 IPO Shares but only get allotted 9,000 IPO Shares, or apply for 110,000 IPO Shares but only get allotted 90,000 IPO Shares?

No. To qualify as a Category A Eligible Shareholder, you need to be allotted a minimum of 10,000 IPO Shares or above at Listing and continue to hold it for the relevant Eligibility Periods before you are entitled to the benefits under the Inaugural Benefit.

Similarly, to qualify as a Category B Eligible Shareholder, you need to be allotted a minimum of 100,000 IPO Shares or above at Listing and continue to hold it for the relevant Eligibility Periods before you are entitled to the benefits under the Inaugural Benefit.

(d) Will I be entitled to more zero fare return air tickets if I apply significantly higher number of IPO Shares, for example 1,000,000 IPO Shares?

No, there are only two (2) qualifying shareholding levels, specifically Category A being at least 10,000 Shares which will entitle you to one (1) zero fare return air ticket for each redemption period, and Category B being at least 100,000 Shares which will entitle you to three (3) zero fare return air tickets for each redemption period.

(e) Will my chances of being eligible for the Benefit Program increase in line with the number of IPO Shares I apply?

As the allotment of the IPO Shares is subject to balloting for all applications, we are not able to assure you that by increasing the number of IPO Shares under application, your chances of being successful in your application will be higher.

(f) Is there a fixed allocation of free tickets for each flight which I may be competing with other promotional activities of AirAsia X which involve giving out discounted or free tickets?

No. There is no fixed allocation of free tickets for each flight under the Inaugural Benefit. You can redeem your ticket so long as a seat is available for the particular chosen destination and flight time. However, please be advised that reservations are conducted on a first-come-first-serve basis, as with reservations by any other fee paying passengers. The availability of seats, whether free or otherwise, is therefore dependent on the overall demand for that particular flight.

(g) If I am allocated 10,000 IPO Shares under the Retail Offering reserved for Bumiputera public and 10,000 IPO Shares under the Retail Offering made available for the Malaysian public, will I be entitled to enjoy the Inaugural Benefit for every 10,000 IPO Shares?

No. If all the IPO Shares are held under your name, you are only entitled to the Inaugural Benefit as one Eligible Shareholder.

(h) How do I redeem my free flight after the respective Entitlement Dates?

You may email us at aax_shareholder@airasia.com or call us at AirAsia X Premium Line (600 85 888) to redeem your free flight. For more details, please refer to Section 2(f) of Annexure C.

(i) Can the ticket(s) redeemed be used by another person(s)? If I am a Category B Eligible Shareholder, can the 3 tickets be issued in 3 different names in one entitlement period?

No. The Inaugural Benefit is not transferable and the reservation of the zero fare return air ticket(s) must be made in the name of the Eligible Shareholder.

(j) If my shareholding drops below 10,000 Shares but subsequently increases back to above 10,000 Shares by the First Entitlement Date, will I still be eligible for the Inaugural Benefit under Category A?

No. For Category A Eligible Shareholders, you must maintain the Category A Qualifying Shareholding of at least 10,000 Shares at all times during the Eligibility Period to enjoy the Inaugural Benefit.

(k) If my shareholding drops below 100,000 Shares but subsequently increases back to above 100,000 Shares by the First Entitlement Date, will I still be eligible for the Inaugural Benefit under Category B?

For Category B Eligible Shareholders, in the event that you reduce your shareholding to below 100,000 Shares but above 10,000 Shares, you will only be entitled to the benefits under Category A, notwithstanding that you subsequently increase your shareholding above 100,000 Shares.

However, in the event that you reduce your shareholding to below 10,000 Shares, you will not be entitled to any Inaugural Benefit notwithstanding that you subsequently increase your shareholding above 100,000 Shares.

(l) Is there a minimum time period between my redemption (or booking) and travel date?

You are required to redeem your zero fare return air ticket no less than 14 days from your intended travel dates, during the redemption periods.

(m) What happens if I try to redeem my tickets towards the end of the relevant redemption periods and unable to secure a reservation?

As the redemption of the Inaugural Benefit, the reservation of the flights and the utilisation of the ticket(s) (being departure and return) must all take place within the relevant redemption period, it is your responsibility to ensure that all of the above are completed within the relevant redemption period so as to enjoy the Inaugural Benefit.

You are advised to plan you travel dates early as there may not be any available seats and you are unable to make any reservations before the expiry of the relevant redemption period.

(n) What are my chances of being able to redeem a flight of my desired travel date?

As the reservations are conducted on a first-come-first-serve basis, your chances of being able to redeem a flight of your desired travel date(s) are equal to any passenger booking a flight through our official website, or through any other channels for reservation.

(o) I am a Category B Eligible Shareholder, do I need to redeem my entitled three (3) tickets simultaneously?

No. As a Category B Eligible Shareholder, you are able to redeem any of your multiple tickets at any time during the relevant redemption periods.

(p) In the event of the death of an Eligible Shareholder before or after the respective Entitlement Dates, how will the entitlement under the Inaugural Benefit be treated?

The entitlement under the Inaugural Benefit will lapse as the redemption of the tickets must be made in the name of the individual Eligible Shareholder.

(q) Can I finalise my reservation through other methods than the AirAsia Booking Portal as set out under Section 2(f)(iii) of Annexure C above?

No. All reservations can only be finalised through the AirAsia Booking Portal.

ANNEXURE D: QUARTERLY REPORT FOR THE 3 MONTHS ENDED 31 MARCH 2013

AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 March 2013

ANNOUNCEMENT

The Board of Directors of AirAsia X Berhad ("AirAsia X" or "the Company") is pleased to announce the following unaudited consolidated results of AirAsia X and its subsidiaries (collectively known as "the Group") for the first quarter ended 31 March 2013.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

		INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period Ended	Period Ended
	Note	31/03/2013 RM'000	31/03/2012 RM'000	31/03/2013 RM'000	31/03/2012 RM'000
Revenue	10	535,277	536,709	535,277	536,709
Operating Expenses:					
- Staff costs	11	(45,627)	(44,649)	(45,627)	(44,649)
- Depreciation of property, plant and equipment		(26,788)	(26,570)	(26,788)	(26,570)
- Aircraft fuel expenses		(226,704)	(263,212)	(226,704)	(263,212)
- Maintenance, overhaul, user charges and other related expenses		(94,450)	(92,537)	(94,450)	(92,537)
- Aircraft operating lease expenses		(37,771)	(37,960)	(37,771)	(37,960)
- Other operating expenses		(47,430)	(39,724)	(47,430)	(39,724)
Total operating expenses		(478,770)	(504,652)	(478,770)	(504,652)
Other income	12	1,082	1,335	1,082	1,335
Operating profit		57,589	33,392	57,589	33,392
Finance income	13	327	366	327	366
Finance cost	13	(13,529)	(11,843)	(13,529)	(11,843)
Foreign exchange (loss) / gain on borrowings	13	(9,622)	34,998	(9,622)	34,998
Profit before taxation		34,765	56,913	34,765	56,913
Taxation					
Current taxation	15	(82)	(259)	(82)	(259)
Deferred taxation	15	15,514	(8,122)	15,514	(8,122)
		15,432	(8,381)	15,432	(8,381)
Profit after taxation for the financial period		50,197	48,532	50,197	48,532
Attributable to:					
Equity holders of the company		50,197	48,532	50,197	48,532
Non-controlling Interest					
		50,197	48,532	50,197	48,532
Basic earnings per share attributable to ordinary equity holders of the Company (sen)	22	18.8	18.2	18.8	18.2
Diluted earnings per share attributable to ordinary equity holders of the Company (sen)	22	18.8	18.2	18.8	18.2

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 of the Company and the accompanying explanatory notes attached in this interim financial statements.

AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 March 2013

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

		INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period Ended	Period Ended
	Note	31/03/2013 RM'000	31/03/2012 RM'000	31/03/2013 RM'000	31/03/2012 RM'000
Profit for the period		50,197	48,532	50,197	48,532
Other comprehensive income					
Foreign currency translation differences		30	1	30	1
Total comprehensive income for the period		50,227	48,533	50,227	48,533
Total comprehensive income attributable to					
Equity holder of the company		50,227	48,533	50,227	48,533
Non-controlling interest		-	-	-	-
Total comprehensive income for the period		50,227	48,533	50,227	48,533

This unaudited condensed consolidated income statement should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 of the Company and the accompanying explanatory notes attached in this interim financial statements.

AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 March 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31/03/2013 RM'000	AS AT 31/12/2012 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,320,864	1,325,822
Deferred tax assets	15	250,354	234,840
Deposits on aircraft purchase	16	482,241	418,395
Other deposits	17	137,962	126,058
		2,191,421	2,105,115
CURRENT ASSETS			
Inventories		640	806
Receivable and prepayments	18	135,408	130,786
Amounts due from related parties		24,507	15,738
Deposit, bank and cash balances		86,370	173,951
Tax recoverable		2,006	1,711
		248,931	322,992
CURRENT LIABILITIES			
Trade and other payables	19	294,004	254,004
Amount due to related parties		2,936	5,929
Sales in advance		153,547	195,188
Borrowings	20	552,186	521,045
		1,002,673	976,166
Net Current Liabilities		(753,742)	(653,174)
NON-CURRENT LIABILITIES			
Borrowings	20	806,722	871,211
		630,957	580,730
CAPITAL AND RESERVES			
Share capital	21	266,667	266,667
Share premium		215,832	215,832
Retained earnings		148,494	98,297
Currency translation reserve		(36)	(66)
Shareholders' equity		630,957	580,730

This unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 of the Company and the accompanying explanatory notes attached in this interim financial statements.

AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 March 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	PERIOD ENDED 31/03/2013 RM'000	PERIOD ENDED 31/03/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	34,765	56,913
Adjustments:		
Property, plant and equipment		
- Depreciation	26,788	26,570
Recovered receivables	(2)	-
Interest expense	13,529	11,843
Interest income	(327)	(366)
Net unrealised foreign exchange gain/ (loss)	7,627	(27,887)
	82,380	67,073
Changes in working capital		
Inventories	166	144
Receivable, prepayments and other deposits	(15,011)	(103,916)
Amounts due from related parties	(11,817)	(4,408)
Trade and other payables	40,661	91,596
Sales in advance	(41,641)	(72,446)
Cash generated from operations	54,738	(21,957)
Interest paid	(13,834)	(12,064)
Interest received	290	399
Tax paid	(375)	(420)
Net cash from / (used) in operating activities	40,819	(34,042)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(21,829)	(2,397)
Deposit on aircraft purchase	(63,710)	7,385
Net cash used in investing activities	(85,539)	4,988
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	6,083	-
Repayment of borrowings	(48,693)	(32,607)
Net cash (used in)/ from financing activities	(42,610)	(32,607)
NET (DECREASE)/ INCREASE FOR THE FINANCIAL PERIOD	(87,330)	(61,661)
CURRENCY TRANSLATION DIFFERENCES	(251)	(3,041)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	173,951	113,980
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	86,370	49,278

This unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 of the Company and the accompanying explanatory notes attached in this interim financial statements.

AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 March 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary share of RM1.00 each		Issued and fully paid reedeemable convertible preference shares ("RCPS") of RM1.00 each					
	Number of shares '000	Nominal Value RM'000	Number of shares '000	Nominal Value RM'000	Share Premium RM'000	Currency Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2013	224,000	224,000	42,667	42,667	215,832	(66)	98,297	580,730
Net profit for the period	-	-	-	-	-	-	50,197	50,197
Other comprehensive income	-	-	-	-	-	30	-	30
At 31 March 2013	224,000	224,000	42,667	42,667	215,832	(36)	148,494	630,957
At 1 January 2012								
- as previously reported	224,000	224,000	42,667	42,667	215,832	(65)	20,744	503,178
- effects of restatements	-	-	-	-	-	-	43,703	43,703
- as restated	224,000	224,000	42,667	42,667	215,832	(65)	64,447	546,881
Net profit for the period	-	-	-	-	-	-	48,532	48,532
Other comprehensive income	-	-	-	-	-	1	-	1
At 31 March 2012	224,000	224,000	42,667	42,667	215,832	(64)	112,979	595,414

This unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 of the Company and the accompanying explanatory notes attached in this interim financial statements.

AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FRIST QUARTER REPORT ENDED 31 March 2013

KEY OPERATING STATISTICS - 31 March 2013

Performance indicator for current quarter against the same quarter last year

Quarter Ended : 31 March	Jan - Mar 2013	Jan - Mar 2012	Changes Y-O-Y
Seat capacity	770,965	796,968	-3.3%
Passengers carried	647,366	691,639	-6.4%
Load Factor (%)	84.2%	86.6%	-2.8%
RPK (million)	3,270	3,927	-16.7%
ASK (million)	3,885	4,535	-14.3%
Average passenger fare (RM)	623.53	603.34	3.3%
Ancillary revenue per passenger (RM)	150.36	133.12	13.0%
Revenue per ASK (sen)	13.80	11.84	16.6%
Revenue per ASK (US¢)	4.48	3.87	15.8%
Cost per ASK (sen)	12.37	10.95	13.0%
Cost per ASK (US¢)	4.02	3.58	12.3%
Cost per ASK (sen) - excluding fuel	6.54	5.15	27.0%
Cost per ASK (US¢) - excluding fuel	2.12	1.68	26.2%
Aircraft (end of period)	9	11	-18.2%
Average sector length (km)	5,039	5,771	-12.7%
Sectors flown	2,045	2,148	-4.8%
Fuel consumed (Barrels)	539,676	679,202	-20.5%
Average fuel price (USD/ Barrel)	136.33	126.64	7.7%

Definition and calculation methodology

RPK (Revenue Passenger Kilometers)	Represents revenue passenger kilometres, which is the number of paying passengers carried on scheduled flights multiplied by the number of kilometres those passengers were flown.
ASK (Available Seat Kilometers)	Represents available seat kilometres, which is the total number of seats available on scheduled flights multiplied by the number of kilometres those seats were flown.
Revenue per ASK	Calculated as (i) total revenue (including charter flights), as adjusted for certain revenue and expense items that are contained in the line item "Other income" relating to the operation of our airline services, including, but not limited to, airport taxes, revenue from the sale of our AirAsia Insure products and insurance claims, (ii) divided by ASK.
Cost per ASK	Calculated as (i) total operating expenses (including charter flights), as adjusted for airport taxes and to exclude unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.
Cost per ASK - excluding fuel	Calculated as (i) total operating expenses (including charter flights) excluding aircraft fuel expenses, as adjusted for airport taxes and to exclude unrealised foreign exchange gain / (loss) and other expenses not directly related to the operation of our airline services, and to include certain finance income items, including realised foreign exchange gain / (loss), (ii) divided by ASK.

AIRASIA X BERHAD
(Company No. 734161-K)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 31 March 2013

NOTES TO THE UNAUDITED ACCOUNTS - 31 March 2013

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements.

The interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the financial year ended 31 December 2012.

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited consolidated financial statements of the Company for the financial year ended 31 December 2012, except for the adoption of the following MFRS and amendments to MFRSs during the financial period:

MFRS 10	Consolidated Financial Statements
MFRS 13	Fair Value Measurement
Revised MFRS 127	Separate Financial Statements
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 7	Financial Instruments: Disclosures
Amendment to MFRS 132	Financial Instruments: Presentation

The adoption of the above MFRS and amendments to MFRSs did not have any material financial impact to the Group.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the audited consolidated financial statements of the Company for the financial year ended 31 December 2012.

4. Seasonality of operations

AirAsia X is primarily involved in the provision of air transportation services and is therefore subject to seasonal demand for air travel. As a significant portion of its passengers travel for leisure, the Company generally record higher revenue during holiday periods, and in particular from November to January. Accordingly, the revenues and cash flows are generally higher from November to January, and generally lower from February to May due to decreased travel during these months. Compared against the corresponding quarter in the preceding year, the seat load factor was 2.8 percentage points lower primarily due to increases in the daily flight frequencies on certain mature routes.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date.

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6. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

7. Capital and reserves

There were no change in capital and reserves in the current quarter and financial period-to-date results.

8. Dividend paid

No dividends were declared or approved in the quarter ended 31 March 2013.

9. Segment reporting

The reportable operating segments of the Group have been identified as North Asia, Australia, Middle East, West Asia, Europe, India and New Zealand. The Group has completely withdrawn from the Europe, India and New Zealand segments for the quarter ended 31 March 2013.

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
Revenue		
North Asia	259,947	198,069
Australia	234,234	175,192
Middle East [1]	27,448	21,423
West Asia [2]	13,648	-
Sub-total	**535,277**	**394,684**
Europe	-	78,780
India	-	31,794
New Zealand	-	31,451
Sub-total	-	**142,025**
Total	**535,277**	**536,709**

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
EBITDAR/ (LBITDAR)		
North Asia	52,760	43,612
Australia	53,139	69,876
Middle East [1]	12,841	6,389
West Asia [2]	3,408	-
Sub-total	**122,148**	**119,877**
Europe	-	(23,569)
India	-	2,232
New Zealand	-	(618)
Sub-total	-	**(21,955)**
Total	**122,148**	**97,922**

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	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
PBT / (LBT)		
North Asia	12,169	24,562
Australia	20,419	59,785
Middle East [1]	896	(1,134)
West Asia [2]	1,281	-
Sub-total	**34,765**	**83,213**
Europe	-	(25,936)
India	-	4,013
New Zealand	-	(4,377)
Sub-total	-	**(26,300)**
Total	**34,765**	**56,913**

Notes:
[1] Includes the Tehran route which was subsequently terminated on 15 October 2012, of which the contribution to the revenue during the quarter ended 31 March 2012 is immaterial (i.e. less than 5%).
[2] Represents the Nepal route.

10. Revenue

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
Scheduled flights	353,883	382,827
Refund	(211)	(6)
	353,672	382,821
Charter flights	15,577	2,754
Fuel surcharge	49,769	34,468
Freight and cargo	19,914	24,640
Ancillary revenue	96,255	91,213
Management Fee	90	93
Other revenue	-	720
	535,277	536,709

Ancillary revenue includes administrative and other fees, seat fees, change fees, convenience fees, excess baggage fees, inflight sales, and other items and services.

11. Staff cost

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
Wages, salaries, bonus and allowances	40,938	40,513
Defined contribution retirement plan	4,689	4,136
	45,627	44,649

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12. Other Income

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
Gain on disposal of property, plant and equipment	-	315
Income from Insurance	1,082	854
Others	-	166
	1,082	1,335

Other income ('others') includes incentives received/receivable by the Group and Company from certain airport authorities.

13. Finance income / (cost)

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
Finance income:		
Interest income - deposits with licensed bank	327	366
Finance costs:		
Interest expense on bank borrowings	(13,463)	(11,770)
Bank facilities and other charges	(66)	(73)
	(13,529)	(11,843)
Foreign Exchange gain / (loss)		
Unrealised foreign exchange (loss)/ gain on borrowings	(9,262)	38,040
Unrealised foreign exchange loss on deposits and bank balances	(281)	(3,042)
	(9,543)	34,998
Realised foreign exchange loss on upliftment of fixed deposits	(79)	-
Net foreign exchange (losses)/ gains	(9,622)	34,998

14. Property, plant and equipment

(a) acquisition and disposal

During the quarter ended 31 March 2013, the Group acquired property, plant and equipment which cost RM21.8 million (quarter ended 31 March 2012 : RM2.4 million).

(b) revaluation

There was no revaluation of property, plant and equipment for the quarter ended 31 March 2013 (quarter ended 31 March 2012: RM Nil).

(c) impairment

There was no impairment of property, plant and equipment for the quarter ended 31 March 2013 (quarter ended 31 March 2012: RM Nil).

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15. Taxation

Current taxation
The current taxation charge comprises tax payable on interest income.

Deferred taxation
In the 3 months ended 31 March 2013 the Company recognised a net tax allowance of RM15.4 million, as compared to a net tax liability of RM8.4 million in the 3 months ended 31 March 2012, due primarily to income tax exemptions recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.

The following table sets forth the reconciliation between the Malaysian statutory tax credit/expense and the actual tax credit earned by the Group for the periods indicated.

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
PBT	34,765	56,913
Tax calculated at Malaysian statutory tax rate of 25%	8,691	14,228
Tax effects:		
- tax incentives	(25,792)	-
- expenses not deductible for tax purposes	3,629	1,229
- income not subject to tax	(1,960)	(7,076)
Taxation	(15,432)	8,381

16. Deposits on aircraft purchase

The deposits on aircraft purchase are denominated in US Dollar and are in respect of pre-delivery payments on aircraft purchase, which will be delivered between April 2013 to May 2025. Pre-delivery payments constitute an installment in respect of the price of the aircraft and are deducted from the final price on delivery.

17. Other deposits

Other deposits include deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft. These deposits are denominated in US Dollar.

18. Receivable and prepayments

	31/03/2013 RM'000	31/12/2012 RM'000
Trade receivables	39,266	31,091
Other receivables	29,981	33,935
Prepayment	27,370	24,255
Deposits	39,680	42,394
	136,297	131,675
Less : Impairment of receivables	(889)	(889)
	135,408	130,786

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19. Trade and other payables

	31/03/2013 RM'000	31/12/2012 RM'000
Trade payables	179,045	170,164
Other payables and accruals	114,959	83,840
	294,004	254,004

Other payables and accruals include operational expenses payable to airport authorities and passenger service charges.

20. Borrowings

	31/03/2013 RM'000	31/12/2012 RM'000
Current		
- Revolving credit (unsecured)	405,497	351,705
- Term loans (secured)	100,876	100,027
- Time loan (secured)	32,000	48,000
- Commodity Murabahah Term Financing (unsecured)	13,813	21,313
	552,186	521,045
Non-current		
- Revolving credit (unsecured)	86,328	131,875
- Term loans (secured)	720,394	739,336
	806,722	871,211
Total borrowings	1,358,908	1,392,256

The currency profile of borrowings is as follows:

	31/03/2013 RM'000	31/12/2012 RM'000
Ringgit Malaysia	285,809	309,309
US Dollar	1,073,099	1,082,947
	1,358,908	1,392,256

The movement of the borrowings during the financial period as follows:-

	31/03/2013 RM'000	31/03/2012 RM'000
At beginning of financial period	1,392,256	1,278,547
Proceeds from borrowings	6,083	-
Repayment of borrowings	(48,693)	(32,607)
Unrealised forex loss/ (gain) on borrowings	9,262	(38,040)
At end of financial period	1,358,908	1,207,900

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21. Share Capital

	31/03/2013 RM'000	31/12/2012 RM'000
Authorised:		
Ordinary shares of RM1 each:		
At beginning/ end of financial year	270,000	270,000
RCPS of RM1 each:		
At beginning/ end of financial year	50,000	50,000
Total authorised	320,000	320,000
Issued and fully paid up:		
Ordinary shares of RM1 each:		
At beginning/ end of financial year	224,000	224,000
RCPS of RM1 each:		
At beginning/ end of financial year	42,667	42,667
Total issued and fully paid up	266,667	266,667

The terms of the RCPS are as follows:

(a) The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1.00 each in the capital of the Company in the proportion of one ordinary share for every one RCPS. Notwithstanding this, the RCPS holder shall convert all into ordinary shares of RM1.00 each in the capital of the Company upon receipt of written notice from the Company as part of the Company's bona fide scheme for the listing of the Company's shares on any recognised stock exchange.

(b) The RCPS has the same entitlement to dividend and all other forms of distributions out of income of the Company at the same rate as that of ordinary shares.

(c) The RCPS can be redeemed in part or in whole at the Company's option at any time, but only with prior written approval of the holder and redemption can only be effected at par value.

(d) On 10 May 2013, all the outstanding RCPS are converted into ordinary shares of RM1.00 each, and on 13 May 2013, all the ordinary shares of RM1.00 each are sub-divided into ordinary shares of RM0.15 each.

22. Earnings per share

Basic earnings per share
Basic earnings per share are calculated by dividing the net profit for the financial period by the weighted average number of ordinary/preference shares in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE	
	Quarter ended 31/03/2013	Period Ended 31/03/2012	Period Ended 31/03/2013	Period Ended 31/03/2012
Net profit for the financial period (RM'000)	50,197	48,532	50,197	48,532
Weighted average number of ordinary/ preference shares in issue ('000)	266,667	266,667	266,667	266,667
Earnings per share (sen)	18.82	18.20	18.82	18.20

Diluted earnings per share
The diluted earnings/(loss) per share of the Group is similar to the basic earnings/(loss) per share as the Group does not have any potential dilutive ordinary shares in issue.

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23. Post balance sheet events

(a) On 29 October 2012, the Company submitted the exposure draft of its prospectus in relation to the initial public offering ("IPO") of its shares in conjunction with the listing of and quotation for the entire ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad. The proposed listing was approved by the Securities Commission on 7 May 2013. The IPO exercise is anticipated to be completed within the financial year ending 31 December 2013.

(b) On 12 March 2013, THAI AAX Co., Ltd ("THAI AAX") was incorporated as a limited company in Thailand. The initial share capital of THAI AAX is THB15.00, comprising 3 ordinary shares of THB5.00 each. The Company holds 33.3% of the ordinary shares in THAI AAX, which is currently dormant.

(c) On 16 April 2013, the Company procured the issuance of a standby letter of credit ("SBLC") for up to USD6.0 million (approximately RM18.2 million) to provide maintenance reserves deposit as required under the finance lease for its acquisition of a new Airbus A330-300 in April 2013. This SBLC is secured by a first fixed charged over credit balances of its account in London maintained with the SBLC provider, where an amount equal to 50% of the SBLC amount has been deposited.

(d) On 18 April 2013, the Company obtained an additional term loan amounting to USD80.0 million (or RM242.7 million equivalent) to finance the acquisition of an Airbus A330-300. The repayment of this term loan is on a quarterly basis over 10 years, with equal principal instalments, at an interest rate of LIBOR + 3.75% per annum. In connection with the USD80.0 million financing, the Company had on 17 April 2013 entered into a USD : RM cross currency interest rate swap with a financial institution in respect of the principal repayment of the USD72.5 million (or approximately RM219.9 million) senior tranche of this loan ("Swap Facility").

Under the Swap Facility, the Company converted the loan whereby:

(i) The USD principal repayment of USD72.5 million throughout the entire tenor of 10 years will be paid in RM at an exchange rate of USD1.00 : RM3.0260; and
(ii) The USD interest of 3 month London Interbank Offered Rate (LIBOR) plus 3.75% will be paid at a RM fixed interest rate of 7.03% per annum for the entire tenor of the loan.

(e) On 22 April 2013, the Company took delivery of an Airbus A330-300 aircraft which was acquired under a finance lease via the term loan as mentioned above. The aircraft commenced operations on 26 April 2013. On 3 May 2013, the Company also took delivery of another Airbus A330-300 aircraft under operating lease, which is scheduled to commence operations in July 2013.

(f) On 2 May 2013 and 17 May 2013 respectively, two lenders confirmed that further to the indulgence they had previously granted to the Group for non-compliances with financial ratios as at 31 December 2012, they have also irrevocably waived the right to exercise the remedies they may have as a result of these non-compliances until 31 July 2013.

(g) On 10 May 2013, AirAsia Berhad converted all of its outstanding 42,666,667 RCPS of RM1.00 each in the Company, on a one-to-one basis, into 42,666,667 new ordinary shares of RM1.00 each in the Company, without consideration.

(h) On 13 May 2013, the Company completed the subdivision of every three (3) ordinary shares of RM1.00 each into twenty (20) ordinary shares of RM0.15 each in the Company. On that same date, the Company increased its authorised share capital from RM320,000,000 to RM500,000,000 comprising 3,333,333,333 shares of RM0.15 each in the Company.

(i) On 10 April 2013, the Company accepted an additional short-term revolving credit facility for up to USD43.2 million (approximately RM131.0 million) to part finance, at an 80% margin of advance, the pre-delivery payments in respect of its firm order of 5 Airbus A330-300 aircraft, which are scheduled to be delivered between August 2014 and May 2016. On 21 May 2013, the Company had drawndown USD12.8 million (approximately RM38.5 million) of this facility. This facility carried interest at 3.25% per annum above the bank's USD cost of funds. The tenure of the facility shall commence from the date of first drawdown and shall expire in June 2016 or upon delivery of the fifth aircraft, whichever is the earlier.

24. Contingent assets and contingent liabilities

As at the date of this report, the Group does not have any contingent assets and contingent liabilities.

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25. Capital commitments outstanding not provided for in the interim financial report

	31/03/2013 RM'000	31/12/2012 RM'000
Approved and contracted for		
Aircraft purchase	21,424,307	21,243,950
Non-cancellable operating leases	2,442,948	2,464,111
	23,867,255	23,708,061

26. Significant related parties transactions

Details of the relationships and transactions between AirAsia X and its significant related parties are as described below.

Name of company	Relationship
AirAsia Berhad ("AAB")	Related party (common Directors and shareholders)
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Related party (common Directors and shareholders)
Asian Contact Centres Sdn Bhd ("ACC")	Related party (common Directors and shareholders)
PT Indonesia Airasia ("IAA")	Related party (common Directors and shareholders)
Thai Airasia Co. Ltd ("TAA")	Related party (common Directors and shareholders)
Tune Box Sdn Bhd	Related party (common Directors and shareholders)
AirAsia Japan Co. Ltd ("JAA")	Related party (common Directors and shareholders)
Malaysian Airlines System Berhad ("MAS")	Related party (common Directors and shareholders)

These following items have been included in the Income Statement:

	Quarter Ended 31/03/2013 RM'000	Quarter Ended 31/03/2012 RM'000
AAB		
- Operational service charges	1,783	1,165
- Brand license fee charged by AAB	2,668	2,679
AACOE		
- Net expense on training services	511	224
ACC		
- Telecommunication and operational expenses	2,192	2,827
IAA	(91)	(92)
- Operational services charged to IAA		
TAA		
- Operational services charged to TAA	(15)	-
Tune Box Sdn Bhd		
- In-flight entertainment system and software expenses	302	-
JAA		
- Operational services charged to JAA	(315)	-
MAS		
- Re-accomodation charges and upliftment of flights charged by MAS	-	792

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27. Review of performance

3 Months Ended 31 March 2013 Compared to 3 Months Ended 31 March 2012

Revenue

Scheduled flights. Revenue from passenger seat sales on scheduled flights decreased by RM28.9 million, or approximately 7.6%, to RM353.9 million for the 3 months ended 31 March 2013 as compared to RM382.8 million for the 3 months ended 31 March 2012. This decrease was due primarily to a 3.3% decrease in total seat capacity for the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012 as a result of a reduction in the average number of aircraft from 11 during the 3 months ended 31 March 2012 to 9 during the 3 months ended 31 March 2013. The decrease in the average number of aircraft is due to the redeployment of the Company's 2 A340-300s previously used for the London and Paris routes for wet leases to third parties during the year ended 31 December 2012. As a result of the decrease in seat capacity and the reduction in the average length of the routes from the discontinuation of service to London, Paris and Christchurch, ASKs decreased 14.3% from 4.5 billion in the 3 months ended 31 March 2012 to 3.9 billion in the 3 months ended 31 March 2013. Our passenger load factor decreased from 86.6% in the 3 months ended 31 March 2012 to 84.2% for the 3 months ended 31 March 2013. This slight decrease in load factor was primarily due to increases in the Company's daily flight frequencies on certain of its mature routes. Average passenger fares increased 3.3% to RM623.53 in the 3 months ended 31 March 2013 as compared to RM603.34 during the 3 months ended 31 March 2012 primarily due to the increased maturity of the Company's route network, especially with respect to its China routes.

Fuel surcharge. Revenue from fuel surcharges increased to RM49.8 million in the 3 months ended 31 March 2013 as compared to RM34.5 million in the 3 months ended 31 March 2012. This increase in fuel surcharge revenue is primarily a result of revisions to fuel surcharge rates, which were caused by the increase in average fuel price from USD126.64 for the 3 months ended 31 March 2012 to USD136.33 for the 3 months ended 31 March 2013.

Ancillary revenue. Ancillary revenue including AirAsia Insure increased to RM97.3 million, or approximately 5.7%, for the 3 months ended 31 March 2013 as compared to RM92.1 million for the 3 months ended 31 March 2012. This increase was due primarily to revisions to our rates relating to certain of our ancillary products as well as the introduction of new ancillary products during the period such as the Red Carpet Service. Ancillary revenue including AirAsia Insure as a percent of total revenues including AirAsia Insure was approximately 18.1% in the 3 months ended 31 March 2013 as compared to 17.2% during the 3 months ended 31 March 2012.

Freight and cargo. Freight and cargo revenue decreased 19.2% to RM19.9 million for the 3 months ended 31 March 2013 as compared to RM24.6 million for the 3 months ended 31 March 2012, reflecting both a 36.3% decrease in available tonne per kilometre (ATK) and 37.0% decrease in freight tonne per kilometre (FTK) in the 3 months ended 31 March 2013. Our cargo load factor remained relatively constant at 58.6% in the 3 months ended 31 March 2013 as compared to 59.3% in the 3 months ended 31 March 2012.

Charter flights. Revenue from charter flights increased from RM2.8 million for the 3 months ended 31 March 2012 to RM15.6 million for the 3 months ended 31 March 2013 due to revenue generated from the wet leases of our 2 A340-300s which previously serviced our now discontinued London and Paris routes.

Others. Others consists of revenue recognised for scheduled flights on our discontinued route to Mumbai and Delhi amounting to RM0.7 million during the 3 months ended 31 March 2012, for which such passengers were re-accommodated to flights provided by other airlines. The Company did not have any form of other revenue for the 3 months ended 31 March 2013.

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Operating Expenses

Aircraft fuel expenses. Fuel costs decreased 13.9% to RM226.7 million in the 3 months ended 31 March 2013 from RM263.2 million in the 3 months ended 31 March 2012 due primarily to a 20.5% decrease in fuel consumed in the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012. This decrease in fuel consumption was due primarily to the reduction in the length of the routes in our route mix resulting from the discontinuation of services to London, Paris and Christchurch in 2012. This decrease in overall fuel costs was partially offset by the approximate 7.7% increase in average fuel price per barrel in the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012.

Staff costs. Staff costs increased 2.2% to RM45.6 million in the 3 months ended 31 March 2013 from RM44.6 million during the 3 months ended 31 March 2012, due mainly to an increase in the number of our employees.

Depreciation of property, plant and equipment. Depreciation of property, plant and equipment remained relatively constant at RM26.8 million during the 3 months ended 31 March 2013 as compared to RM26.6 million in the 3 months ended 31 March 2012, which reflects the same number of operational aircraft held under finance lease during these periods.

Maintenance, overhaul, user charges and other related expenses. Maintenance, overhaul, user charges and other related expenses remained relatively constant, increasing 2.1% to RM94.5 million in the 3 months ended 31 March 2013 from RM92.5 million in the 3 months ended 31 March 2012.

Aircraft operating lease expense. Aircraft operating lease expense remained relatively constant, decreasing 0.5% to RM37.8 million in the 3 months ended 31 March 2013 from RM38.0 million in the 3 months ended 31 March 2012.

Other operating expenses. Other operating expenses increased 19.4% to RM47.4 million in the 3 months ended 31 March 2013 from RM39.7 million in the 3 months ended 31 March 2012 due primarily to an increase in marketing and promotional expenditures during the 3 months ended 31 March 2013.

As a result of the factors set forth above, cost per ASK increased approximately 13.0% to 12.37 sen and cost per ASK (excluding fuel) increased approximately 27.0% to 6.54 sen in the 3 months ended 31 March 2013 as compared to the 3 months ended 31 March 2012.

Finance Costs

Finance costs increased 14.2% from RM11.8 million in the 3 months ended 31 March 2012 to RM13.5 million in the 3 months ended 31 March 2013 primarily due to new banking facilities secured during the 3 months ended 31 March 2013.

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Foreign Exchange Gain / (Loss) on Borrowings

As a result of the strengthening of the USD against the RM in the 3 months ended 31 March 2013, the Company recognised unrealised foreign exchange losses on borrowings of RM9.6 million on its USD-denominated borrowings, as compared to unrealised foreign exchange gains on borrowings of RM35.0 million on our USD-denominated borrowings in the 3 months ended 31 March 2012. As at 31 March 2013, the Group did not have any form of currency hedging arrangements in place with respect to its USD-denominated borrowings.

PBT / (LBT)

As a result of the factors set forth above, the Group achieved a profit before taxation of RM34.8 million in the 3 months ended 31 March 2013 as compared to a profit before taxation of RM56.9 million in the 3 months ended 31 March 2012. The PBT for the 3 months ended 31 March 2013 was primarily a result of increased operating profits generated from the redeployment of its seating capacity to more profitable routes following the discontinuation of our services to Delhi, Mumbai, Christchurch, London and Paris between February and May 2012. This increase in operating profits from RM33.4 million during the 3 months ended 31 March 2012 to RM57.6 million during the 3 months ended 31 March 2013, was however offset by the unrealised foreign exchange loss on borrowings described above that resulted from unfavourable movements in USD:RM exchange rates.

Taxation

In the 3 months ended 31 March 2013 the Company recognised a net tax allowance of RM15.4 million, as compared to a net tax liability of RM8.4 million in the 3 months ended 31 March 2012, due primarily to income tax exemptions recognised for certain qualifying expenditures as provided by the Malaysian Ministry of Finance.

PAT / (LAT)

As a result of the factors set forth above, the Group achieved a net profit of RM50.2 million in the 3 months ended 31 March 2013 as compared to a net profit of RM48.5 million in the 3 months ended 31 March 2012. The increase in net profitability in the 3 months ended 31 March 2013 compared to the same period in 2012 was primarily due to the abovementioned 72.5% increase in operating profits to RM57.6 million in the 3 months ended 31 March 2013 as compared to operating profits of RM33.4 million in the 3 months ended 31 March 2012.

No commentary is provided for the change in the profit before tax for the current quarter reported as compared with the immediate preceding quarter, as this is the Company's first quarterly report issued pursuant to the Listing Requirements.

28. Other profit and loss items

In the current quarter and financial year to date, there is no provision for and write off of inventories; gain or loss on disposal of quoted or unquoted investments or properties; gain or loss on derivatives; and material exceptional items.

29. Commentary on prospects

The Company's positioning within the Asia Pacific region, which is forecasted to be robust and potentially surpassing North America as the world's largest aviation market (Source: Strategic Airport Planning Ltd) allows AirAsia X to benefit from this growth and continue to be a large and attractive feeder market for its long-haul routes. Barring any unforeseen circumstances, including but not limited to terrorist attacks, natural disasters, epidemics, economic downturn and fuel price hike, the Company expects its prospects to remain positive.

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30. Profit forecast

As AirAsia X did not provide profit forecasts, hence the disclosure requirements are not applicable.

31. Corporate proposal

The Company is currently undertaking a proposed initial public offering and listing on the Main Market of Bursa Malaysia Securities Berhad.

Save as disclosed above, as at 28 May 2013, being the latest practicable date prior to the issuance of this report, there is no corporate proposal which is announced but not completed.

32. Material litigation

As at quarter ended 31 March 2013, there was no material litigation taken or threatened against the Company and its subsidiaries.

33. Proposed dividend

The Directors do not recommended any dividend for the quarter ended 31 March 2013.

The real estate properties depicted above do not belong to the AirAsia X Group.